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## NEWS SUMMARY

### bya ues ganda mand

Julius Nyerere of  
Colonel  
Gaddafi, the Libyan  
issued him with an  
to withdraw Tan-  
troops from Uganda  
4 hours.

Colonel  
had to give full military  
ganda, and had warned  
war could spread to

port came as Ugandan  
claimed rebel forces  
thin 25 miles of the  
of Kampala, and Amin  
had driven the enemy  
road linking Kampala  
to the airport. Page 4

### discuss t sanctions

and Economic Mini-  
the 18 Arab nations  
of their talks on details  
of financial sanctions  
against President Anwar  
ter the signing of the  
peace treaty.

talks carried on amid  
of demonstrations  
against the treaty. A  
Lod near Israel's inter-  
airport killed one  
and injured 18, and an  
ist group claimed re-  
sponsibility for a bomb which  
a Jewish student can-  
Paris, and injured 28  
Page 4

### hours call

of legal restrictions on  
working hours has  
been recommended by  
the Commission. Com-  
missioners' Commis-  
sion report to Mr. Albert  
he Employment Secre-  
tary, which follows  
investigation, says the  
measures cause discrimina-  
tion.

### ents barred

irmingham Industrial  
has rejected claims  
workmen at Sunday  
and Hall's Foundries  
for redundancy pay-  
ments estimated at  
£80,000. Management  
two companies, in  
West Midlands, into  
liquidation after the  
refused to promise they  
op striking. Page 11

### confident

Leader David Steel con-  
firmed a comfortable  
lead for his Party in to-  
morrow's election at Edge Hill.  
Mr. Labour has held the  
34 years. Parliament.

### battle toll

18 people have been  
killed and more than 40  
in two days of fighting  
the Turkmen minority  
and supporters of  
leader Ayatollah  
in north-east Iran.

### bodia attack

as of the fallen Cam-  
paigner claimed they had  
more than 300  
these soldiers in Cam-  
and said they were  
ing attacks on Laos.

### ists held

in police have arrested  
per of human rights  
in a crackdown on  
d political activity.

### ly ...

IC is to spend about  
on two atomic power  
research projects.

rested a man brandish-  
axe after he barricaded  
in a house in  
m, London.

remiah Chitran, a mem-  
Rhodesia's Executive  
left for the UK yester-  
talks with Foreign  
y Dr. David Owen.

### PRICE CHANGES YESTERDAY

(in pence unless otherwise indicated)

RISERS:

2% A 1983 £102 1/2	86 + 4
4% 1988 ... 443 1/2	418 + 10
Newspapers 229 + 2	79 + 7
248 + 14	170 + 12
217 + 12	57 + 4
127 + 8	416 + 14
295 + 10	366 + 18
74 + 4	168 + 18
286 + 16	1118 + 34
161 + 8	736 + 21
215 + 30	195 + 13
80 + 7	225 + 9
414 + 8	318 + 6
152cc + 14	
122 + 11	
140 + 11	
243 + 10	
250 + 10	
214 + 18	
61 + 5	

FALLS:

Lorho	86 + 4
Lonsdale Universal	115 + 8
Midland Bank	418 + 10
Mixconcrete	79 + 7
Neil & Spencer	170 + 12
Slough Ests.	57 + 4
Thorn Elect.	416 + 14
Utd. Newspapers	366 + 18
Waverley Cameron	168 + 18
BP	1118 + 34
Shell Transport	736 + 21
Tricentral	195 + 13
Westfield Minerals	225 + 9
RTZ	318 + 6

HK & Shanghai ... 167 - 11  
Jardine Secs. ... 74 - 11  
Zenith Carb. ... 90 - 9  
Coca-Cola ... 398 - 20  
Coca-Cola ... 282 - 18  
Aberton Antimony ... 15 - 17

## OPEC raises basic prices 9% and surcharges planned

BY RICHARD JOHNS IN GENEVA

The Organisation of Petroleum Exporting Countries is to raise the basic price of a barrel of oil by 9 per cent from \$13.335 to \$14.542 from Sunday.

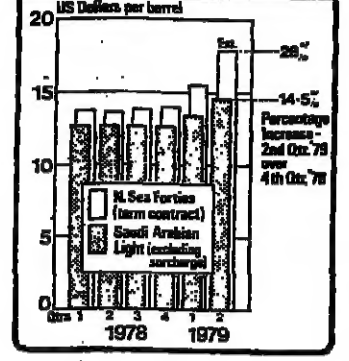
In addition the majority of members—with the notable exception of Saudi Arabia and probably the United Arab Emirates—will charge a premium of not less than \$1.20 a barrel over and above the new basic price. Some expensive crudes may rise by up to \$5 a barrel.

Most producers have effectively been able to impose the \$1.20 surcharge over the past month anyway because of the breakdown in Iranian supplies. No formal agreement to co-ordinate production targets was reached, however, and it seemed likely that Saudi Arabia, whose major moderating influence was yet again felt, would not immediately cut its oil production from the higher levels of 9.5m barrels daily, introduced to compensate for the Iranian shortage.

Nevertheless, the production issue was exhaustively discussed and, as one senior delegate put it, "an understanding definitely exists".

A crucial factor in the discussion on production targets has clearly been the uncertainty about the resumption of Iranian supplies. Nearly all OPEC members are willing to limit production on conservation grounds anyway and would be willing to adjust output to take account of

### Crude Oil Prices...



"Maximum prices will depend on the development of the market," said Mr. Rene Ortiz, OPEC Secretary-General. He said that the basic price could be reviewed later in the year in the light of changes and nothing could be predicted.

The next scheduled OPEC conference is set for June in Geneva when Mr. Ortiz expects the question of a dialogue of consultations with consuming countries, to be discussed.

"The whole world should be grateful for our moderation. We have tried to restrain ourselves in the face of a great deal of agitation," said Sheikh Ali Khalifa Al Sabah, Kuwait's Minister of Oil.

## North Sea oil expected to go up by 16%

BY KEVIN DONE, ENERGY CORRESPONDENT

NORTH SEA oil prices are expected to rise by up to 16 per cent to more than \$17.50 a barrel from the beginning of April in response to the increases that are likely to be introduced by producers of the equivalent light crudes among the Organisation of Petroleum Exporting Countries.

The exact level of surcharges that will be implemented by Algeria, Libya and Nigeria, are still not clear, but they are likely to range between \$3 and \$5 a barrel.

The main concern in the Community is that the further rises will make it still more difficult for the EEC to free itself from recession because the higher oil prices will push inflation up and cut growth.

Dr. Guido Brunner, EEC Energy Commissioner, said that every one dollar rise in the oil price would cut growth rates in the Community by 0.4 per cent and increase inflation by 0.3 per cent. It would also increase the total oil bill of EEC members by about \$3bn and adversely affect the aggregate current account by about \$3bn.

The large increases in the price of light crudes will benefit the UK's current account and could add about \$100m to the Government's North Sea revenues this year.

At the same time, however, oil product prices can be expected to rise quickly in response to OPEC's action. Oil companies, which raised product prices by about 9 per cent in February, already have another price application before

The EEC Energy Ministers renewed their commitment to the energy-saving objectives agreed at the Paris Summit two weeks ago. These call for a cut in total oil consumption of about 25m tonnes this year, and for a restriction of oil imports in 1985 to last year's level.

Continued on Back Page

## Britain 'paying most' to EEC

BY GUY DE JONQUIERES, COMMON MARKET CORRESPONDENT, IN BRUSSELS

BRITAIN and Italy, two of the Common Market's least prosperous members, can claim to have overtaken West Germany to become the two biggest net contributors to the EEC budget, on the basis of European Commission calculations.

The Commission figures have yet to be published officially and are subject to final revision. They are likely to prove highly controversial, not least because they are open to differing interpretations. The UK Government, which is aware of the calculations, is expected to argue that they add powerful support to its campaign for a sharp cut in its EEC membership costs.

The Commission presents its conclusions in two forms. According to the first, under which Monetary Compensation Amounts (MCAs) are counted as payments into the budget, rather than, in effect, subsidies on food

purchases, Britain became the single largest net budget contributor last year—two years earlier than expected—with a net payment of 998.6m units of account (about £870m). That was almost treble West Germany's net payment of 357m UA (£240m).

Italy's net contribution, calculated on the same basis, was the second highest at \$22.5m UA (£552m). On the other hand Denmark and the Benelux countries, among the richest EEC members on a per capita basis, were with Ireland substantial net recipients under the budget.

Britain's net contribution would have been still higher, almost 1.5bn UA (£1.6m), had it not been restricted by temporary arrangements in its EEC accession treaty, which cease after the end of this year.

The only other country which would also have suffered had it

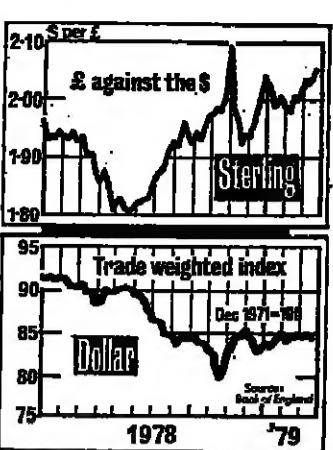
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## Dollar and £ both rise

By Peter Riddell, Economics Correspondent

THE decisions on the oil price at the OPEC meeting confused the foreign exchange markets yesterday. After a day of fluctuating rates the dollar ended slightly higher against most major currencies, apart from sterling, which made further general gains.

The piecemeal announcement of the price rise unsettled the market though overall there was some relief at the outcome. The dollar's trade-weighted index, as calculated by the Bank of England, increased 0.2 to 84.7, while the U.S. currency rose fractionally against both the Deutschmark and the Swiss franc, and from Y206.1 to Y207 against the Japanese yen.

The dollar gained at one stage during the day against sterling but closed unchanged at \$2.0535, though the pound was showing signs of late weakness in New York.

But the pound rose against the world's other main currencies—moving up from DM 3.815 to DM 3.83. The trade-weighted index rose 0.2 to 65.6 for an increase of 1 1/2 per cent in the last week alone.

Since early February the pound has risen by 3.5 per cent against the D-mark and by 7 per cent against the Japanese yen.

This partly reflects the market's view of the UK's favourable position relative to other countries, notably Japan, in face of higher oil prices as a result of growing North Sea production. In addition, there is the attraction of UK interest rates well above levels in other countries.

The strength of sterling coupled with hopes of an early general election resulted in a sharp rise in stock market prices.

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## Government on brink of censure defeat

BY RICHARD EVANS, LOBBY EDITOR

IF MPs vote as expected in today's crucial censure debate in the Commons, Mr. Callaghan's Government will be precipitated into a crisis—barring accidents of a totally unforeseen nature.

Defeat—according to the latest assessment by two votes—would force the early dissolution of Parliament and a General Election within the next six weeks, probably on May 10.

After another day of frantic behind-the-scenes activity at Westminster, there was still no certainty about the outcome of the debate on a Conservative motion of no confidence, but many Ministers were accepting the likelihood of defeat.

Following confirmation yesterday that the three Welsh Nationalists will vote with the Government, all will depend on the votes of the six Ulster Unionists who have so far not declared their intentions but who are under growing pressure to vote with the Conservatives.

There is no sign that the Government will make any offer to minority parties to persuade them to switch their votes, and the Prime Minister went out of his way yesterday to deny vehemently that the Welsh Nationalists had been bribed.

Mr. Callaghan insisted that a Bill foreshadowed on yesterday's Commons Order Paper, and to be published today, affecting a wide range of workers suffering from occupational lung diseases, including slate-quarry men, had been brought forward as a normal process of Government.

Conservative MPs had assumed the legislation was an 11th-hour bargain struck with the Welsh Nationalists, and it was claimed as such by the three Plaid Cymru MPs. But in the Commons, the Prime Minister gave a lengthy defence of the Government's actions, and blamed the Press for "totally misrepresenting" his motives.

The Bill has almost certainly secured the votes of the Welsh Nationalists, provided they are

If there is a defeat, there would be immediate talks between Government and Opposition on the parliamentary timetable before a dissolution including the presentation of a short Budget and Finance Bill.

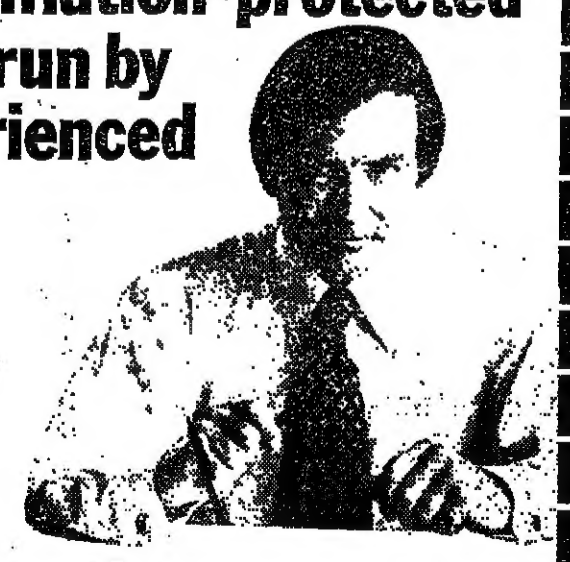
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### VOTES TABLE

Against the motion	For the motion
Labour	306
Scottish Labour	2
Plaid Cymru	3
Ulster Unionist	1
	312
Conservatives	281
Liberals	13
Scottish Nationalists	11
Northern Ireland	3
	308

The remaining six Ulster Unionists will not declare their intentions until shortly before the division but they are expected to vote with the Conservatives. If the two independent Irish MPs abstain as expected this will ensure a victory for Mrs. Thatcher by two votes (314-312).

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## EUROPEAN NEWS

# Lambsdorff seeks limit on bank industrial holdings

BY ADRIAN DICKS IN BONN

COUNT OTTO LAMBSBORFF, the West German Economics Minister, bluntly warned the country's big banks yesterday that they would have to accept limits on their influence over industry.

Without directly threatening government action to this end, the minister told the conference of the Banking Federation here that it was up to the banks themselves to carry out "constructive self-criticism" in order to preserve their rightful place in the free market economy.

In a speech which took many of the assembled bank executives aback, Count Lambsdorff strongly criticised the major private banks' long-term holdings in industrial companies, and lent his support to last year's recommendation by the Monopolies Commission that these ought to be run down.

Short-term participation could be highly useful in rescuing companies in trouble, the Minister said. There need not be any process of official approval for these, provided those which amounted to a con-

trolling share in a company were strictly limited in time.

However, Count Lambsdorff said he favoured limiting to 15 per cent the holding of any bank in a non-banking company. This figure is more generous than the 5 per cent limit recommended by the Monopolies Commission last year. But it is well below the 25-per-cent-plus-one-share formula (in practice allowing a blocking minority) which is expected to be proposed in May by the official committee looking into long-term issues of banking reform.

Quoting some of the Monopolies Commission findings, including the fact that banks own 10 per cent of all shares in public companies, the Minister remarked that "these holdings have nothing to do with the banking business. The banks could live perfectly well without them. And with the limitation of these holdings, the banks would be able to take the wind out of the sails of a good deal of criticism of a kind whose consequences might lead anywhere."

Count Lambsdorff praised the

disposal by Deutsche Bank in 1976 of 25 per cent of Daimler-Benz as an example of how long-term holdings might be run down. He also admitted that in recent years the big banks had not significantly added to existing holdings.

In practical terms, however, the bank's holdings were so huge that they could not merely be unwound through the stock market. Count Lambsdorff suggested instead that the banks set up special subsidiaries to take over non-banking participation. Shares in these subsidiaries should be given to shareholders of the banks themselves, a process that would gradually separate potentially conflicting interests with the banking business.

Banks would be well advised to accept limits to the proxy powers they exercise on behalf of customers, said Count Lambsdorff. Counting in both these and the bank's own holdings, he said, in 30 out of the biggest 100 German companies more than 50 per cent of voting rights were in the hands of banking institutions.

## Portuguese military press for crisis moves

By Jimmy Burns in Lisbon

PRESIDENT Antonio Ramalho Eanes, of Portugal, is due to meet the country's military watchdog body, the Council of the Revolution, today amid signs of pressure from certain sectors of the armed forces for a speedy solution to the latest political crisis.

The military's disquiet with the unexpected budget defeat last week of Portugal's four-month-old non-party Government, has been the only tangible element in an otherwise confused and rumour-laden political atmosphere.

Meetings this week between the President and Sr Carlos Mota Pinto, the Prime Minister, following Gen. Eanes' return from a State visit to Eastern Europe, have failed to cast any public light on the crisis.

"The budget... meant sacrifices but it guaranteed democracy and freedom," was the enigmatic phrase adopted by Sr. Mota Pinto when he left the presidential palace on Monday night.

A clearer stand on the Government's defeat has already been taken, however, by Portugal's conservative air force. In an unprecedented statement issued at the weekend, the air force general staff publicly announced that it would have to cut back on routine activities because the absence of a budget was threatening to leave the armed forces without funds for this year.

This view, widely interpreted as a thinly-veiled form of political pressure on the country's divided politicians, is believed to be shared by other members of the armed forces.

Meanwhile, Portugal's main political parties appear to have adopted a low profile, reacting only ambiguously to the suggestion that Sr. Mota Pinto might continue as Prime Minister and present a new budget.

Although the Government virtually staked its survival on its budget proposals, both the Socialists and the Social Democrats, have subsequently declared that the Prime Minister was not bound to resign as a result of his parliamentary defeat.

They have indicated, however, that the controversial 56 per cent tax on the extra month's salary, paid as a Christmas bonus, would have to be excluded from any future budget.

## Foreign view of bank row worries Italy

BY OUR ROME STAFF

THE ITALIAN Banking Association (ABI) yesterday expressed grave concern over the possible internal and international repercussions of the arrest of Sig. Mario Sarcinelli, a deputy director-general of the Bank of Italy, and the incrimination of Dr. Paolo Baffi, the central bank governor, in connection with judicial inquiries into Società Italiana Resine (SIR), one of Italy's major chemical groups.

At the same time, Sig. Filippo Maria Pandolfi, the Treasury Minister, said he would address Parliament on the affair later this week.

After an emergency meeting yesterday, ABI expressed its "full confidence" in Dr.

Baffi and Sig. Sarcinelli and in the activities of the central bank. The Treasury Minister, together with other leading Italian political and economic personalities, has also come down heavily in support of the bank, which has vigorously denied the charges of alleged irregularities in the SIR affair.

According to Sig. Silvio Golzio, the ABI chairman, the events of the last few days could seriously compromise Italy's international credibility at a time when the banking system was heavily exposed on the international market. At the end of January the net overseas indebtedness of Italian commercial banks reached close to \$60bn.

For its part, the senior management of the central bank was still standing firm on its threat to resign en bloc unless Sig. Sarcinelli was immediately released and the charges against both the governor and the deputy director-general were withdrawn.

The charges against the two top officials relate specifically to allegations that they failed to notify the judicial authorities about the findings of a Bank of Italy inspection into subsidised credits made by a Sardinian special credit institute to SIR.

Meanwhile, the view was hardening here that the

sensational affair could be the fruit of obscure political manoeuvres to attack one of Italy's most respected and esteemed institutions, which has traditionally held itself aloof of political life, at a time of growing political uncertainty and the threat of an early general election.

The apparent attack on the Bank also comes at a time when the central bank has made considerable efforts to increase the efficiency of controls on the banking system and has unearthed a series of irregularities over the past three years which it referred to the judicial authorities.

## Scandal of the 'Black Funds'

BY PAUL BETTS IN ROME

OUTSIDE THE austere headquarters of the Bank of Italy in Via Nazionale in Rome, bank employees on Monday staged for the first time in the institute's history, a small but significant demonstration.

They were protesting against the decision to charge Dr. Paolo Baffi, the central bank governor, and to arrest Sig. Mario Sarcinelli, a joint deputy director-general of the bank, in connection with the protracted judicial inquiries into one of Italy's major chemical groups, Società Italiana Resine (SIR).

Like most of Italy's leading economists and politicians, they were unanimous in their indignation and condemnation of the unprecedented events that have shaken the entire country during the last few days.

Suggestions of obscure political manoeuvres behind the latest sensational events have been fuelled by the fact that the Central Bank had lately stepped up its so-called vigilance activities of which Sig. Sarcinelli is the head.

Indeed, during the last three years, the bank's vigilance committees have conducted an increasing number of inspections of the accounts and activities of the country's credit institutions, and in cases of irregularities had referred the issue to the judiciary.

One of these inspections led to perhaps one of the most significant scandals in the recent history of the Italian banking system.

It involved the central savings bank, Italcasse, whose late director-general and a former chairman of the Italian

banking association, Sig. Giuseppe Arcaini, was accused in 1977 of running a so-called "black fund" allegedly used for the financing of political parties, but particularly the long-ruling Christian Democrats.

At the same time, the Central Savings Institute, which controls through the savings bank nearly a third of all deposits with the Italian banking system, was also accused of having favoured individual clients by exceeding central bank guidelines on the extent of lending to any one client.

The Italcasse affair brought out in public the complex relations between a large part of the political establishment and the country's key economic sectors.

**Domination**

This intricate web grew in particular during the mid-1950s when the Christian Democratic Party felt for the first time that its political domination in Italy was threatened.

To consolidate its position, it decided to increase political control over the banking system and the State sector, which represented the effective backbone of the country's economic structure.

The immediate effect of this surge of political interference in the economy was a sharp fall in the overall efficiency of the economic system.

It opened the door to increased abuse (including dubious industrial salvage operations, largely motivated by electoral considerations) and to

a whole series of operations dictated in many instances by private interests and political patronage.

Until the recent approval of legislation for the public financing of political parties, most Italian parties had to rely on external funding and donations to finance their activities.

Thus, they leaned on the main sectors of the economy, including the banks, State industry, and to some extent, private industry, for funds.

This led to the setting up of the so-called "Black Funds" the adoption of somewhat questionable criteria for nomination of senior State managers and bankers, and a system of mutual favour between industry, banks and politicians.

It was, and in large measure still is, a system of cliques. The controversy at the end of last year over the nomination of a series of senior State corporations and to a number of banks is a case in point.

While in theory at least all the main political parties claimed they were now adopting more rational criteria based on the professional qualifications of candidates, in practice the end result was a general share-out of the spoils between the strongest parties.

In turn, this reflected the gradual decline in influence of the long-ruling party which in the past would have probably secured for its men all the plum jobs.

What has exacerbated this peculiar Italian situation has been the very nature of the Christian Democratic Party. The

ruling party consists of a series of rival factions which are themselves split and which compete as vigorously against each other as against the opposition.

The leadership of the party is often divided, especially in the aftermath of the death last year of Sig. Aldo Moro, the party's one undisputed leader.

This has forced the party to perform the most delicate acrobatics to ensure a balance between all the different factions and their leaders.

At the same time, bitter fighting and often nothing more than personal jealousies have led to clashes and manoeuvres among party leaders and their supporters in industry, the media and other influential sectors.

**Controversial**

The general picture is further complicated by the ramifications of politics not only in industry but even in the judicial system.

This has recently led to a growing debate over the judiciary process in view of certain controversial initiatives by some magistrates.

Delays and postponements in key trials, the escape of leading defendants, the appearance of Ministers and secret service officials in the witness box, and the continuing increase in political violence have done little to encourage public confidence in the system.

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## Airlines may urge 10% fares rise

BY LYNTON McLAIN

A CALL for an across-the-board 10 per cent rise in air fares is expected from world airlines meeting in Geneva today.

Airlines which cut international fares last year have been hit by the rapidly rising fuel charges. These have risen by as much as 40 per cent since last summer, and with fuel making up a quarter of aircraft operating cost, many airlines have no option but to raise fares.

The International Air Transport Association, which represents the 100 scheduled airlines meeting in Geneva, is likely to endorse calls for higher fares, to take effect from April 1.

Earlier suggestions that LATA members would recommend fuel surcharges varying on a regional basis, appear to have been rejected. The proposal would have hit areas with serious fuel shortages, but would have produced rises lower than 10 per cent in other areas. Trans World Airlines said last week it would ask the U.S. Civil Aeronautics Board for permission for a 7 per cent fuel sur-

charge on all North Atlantic services from May 1.

The Royal Air Force may order more Hawk trainer aircraft from the British Aerospace Corporation. Air Commodore John Langer, RAF Director of Flying Training, told the cor-

poration of his plans yesterday, when the RAF took delivery of its 100th Hawk at Dunsford test centre, Surrey.

Up to 70 Hawks have already been exported to Finland, Indonesia, and an unnamed African country. The U.S. Navy is also interested.

## Belgian coalition in sight

BY GILES MERRITT IN BRUSSELS

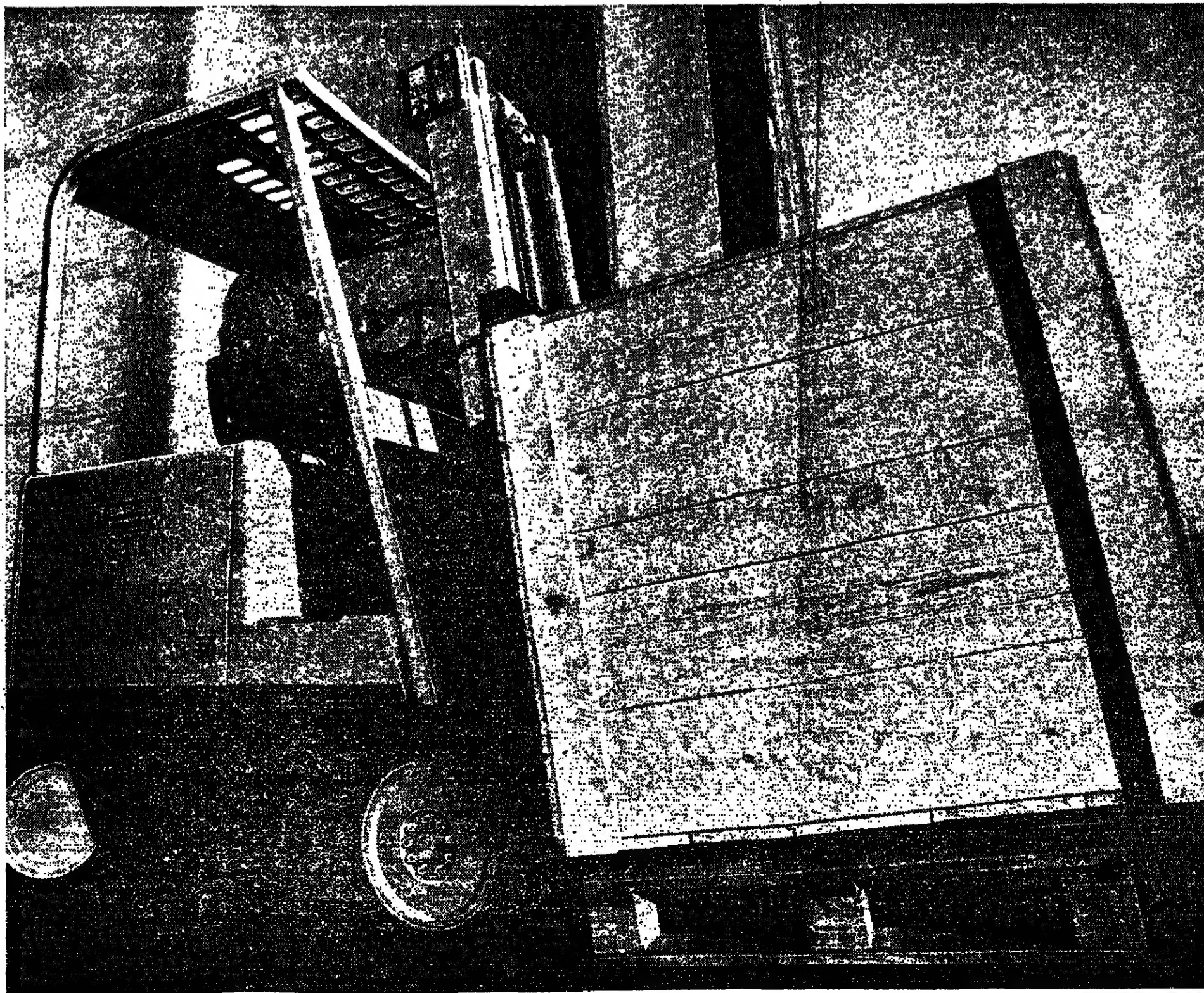
AN END to Belgium's 185-day political vacuum seemed in sight yesterday with a new coalition government likely to be formed in Brussels before the end of this week.

A breakthrough in the talks being held by Mr. Paul Vanden Boeynants, the caretaker Prime Minister, with leaders of Belgium's main political parties is expected to result in a five party coalition. Providing further negotiations on economic and social policies are successful, M. Vanden Boeynants will head the new government.

The crisis was triggered last October by the resignation of Prime Minister Leo Tindemans over opposition to his proposals for settling the country's intractable language war by devolving power in a regionalisation scheme.

Since an inconclusive mid-December general election, Belgium has been deprived of a new government while the Flemish and French-speaking Walloon political parties remained deadlocked on the regionalisation issue.

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هكاهن الأهرل



## Three charged with 3.54m savings bank fraud in Barcelona

DAVID GARDNER IN BARCELONA

ANCIAL scandal involving alleged embezzlement of 3.54m (€3.54m) has been unearthed in Spain, affecting the savings bank, the Caja de Pensiones para la Vejez y de la Vejez, which is simply known as the Banco Central. The scandal is the second largest in the history of the bank, which was accused by the Spanish authorities of fraud in the Barcelona region. The fraud was allegedly committed by three men: Sr. Pedro Barret, Sr. Pedro Barret, Sr. Pedro Barret, who was arrested here on Monday, and Sr. Ramon Urdia, a Banco Central employee.

The long-term implication of the fraud, however, may be that it will be seized on by people who believe the savings banks are increasingly failing to fulfil their traditional function, by changing the direction of their lending towards more profitable investments. The savings banks are, in theory, non-profit making institutions which traditionally direct their credit towards first home buyers, personal loans to small savers, credit to small and medium-sized companies, and the construction industry. Above all, that section of it associated with public housing. The Caixa says that last month alone it lent over Pta 7bn in personal credit. However, changes in legislation which allow savings banks to act more like commercial banks has meant less money for areas like housing construction, which saw its share of savings bank credit drop from 57.9 per cent in 1977 to 56.8 per cent last year.

It is thought that Pta 15bn-20bn in credits from the savings banks are being drawn away from the construction industry each month.

## German trade surplus

NATHAN CARR IN BONN

GERMANY had a trade surplus of DM 2.4bn (about £1.2bn) in February—bigger than the DM 2.1bn of the month, but well below the DM 2.8bn achieved in February 1977. The current account figure also shows a surplus, less than the DM 2.1bn of the month, but well below the DM 2.8bn achieved in February 1977. The current account figure also shows a surplus, less than the DM 2.1bn of the month, but well below the DM 2.8bn achieved in February 1977.

## Targets set for State concerns in Turkey

By Metin Munir in Ankara

AS PART of its measures for stabilising the economy the Turkish Government yesterday set production and export targets for State-run industries for the year 1979.

The State economic enterprises account for half the country's industrial output, but because they function more like Government offices than profit-making companies they generally make a loss. They receive considerable State subsidies and have been allowed to borrow from the central bank, taxing public finances severely and contributing to inflation.

### Companies

Production targets have now been set for prominent State companies in paper, electricity, textiles, mining, cigarettes, iron and steel, petrochemicals, fertilisers, cement and coal. The figures indicate they will have to work close to full capacity in order to achieve these targets.

Whether this is possible, given the foreign exchange constraints, difficulties in implementing plans and the traditional inefficiency of these companies, remains to be seen. Certainly, in view of past performance and the low capacity usage last year, the targets appear too ambitious.

Among the export targets set for the State concerns are \$70m worth of tobacco, 125m tons of minerals, 235m tons of meat, and 39m tons of arms and ammunition.

### Enterprises

The financing requirements of State enterprises last year were estimated at TL 57bn (€1.73bn) compared with TL 58bn (€1.15bn) in 1977.

Britain's Chief of Naval Staff, Admiral Sir Terence Lewin, met Turkey's naval commander, Admiral Bulent Ulusu yesterday, Reuters reports from Ankara.

Admiral Lewin will also meet the Turkish Chief of Staff, General Kenan Evren, and the Minister of Defence, Mr. Necdet Akkum, and tour military installations before leaving on Friday.

## A question of interpreting the figures

BY GUY DE JONQUIERES, COMMON MARKET CORRESPONDENT, IN BRUSSELS

EEC NET BUDGET CONTRIBUTIONS AND RECEIPTS BY COUNTRY IN 1978  
in millions of European units of account (1 UA equals £0.67 or \$1.35)

	Actual national balances reflecting adjustments under Article 131	National balances if Article 131 adjustments not operating
	MCA's attributed to exporting country	MCA's attributed to importing country
Germany	-357.2	-530.2
France	-184.0	-471.7
Italy	-822.5	-404.0
Netherlands	+137.3	+182.2
Belgium	+322.6	+366.7
Luxembourg	+8.3	+9.2
UK	-998.6	-1,480.0
Ireland	+525.0	+314.6
Denmark	+599.9	+360.8

Plus sign = net receipt; minus sign = net contribution.

THE European Commission's latest calculations of the financial gains and losses derived by different countries from EEC membership seem likely to stir up a good deal of heated debate in Brussels. It will centre not so much on the accuracy of the figures, which is unlikely to be seriously challenged, but on exactly what they mean.

The joker in the pack is that, although increasingly familiar, the creature the Monetary Compensatory Amount (MCA) operates as a subsidy, but there is wide disagreement as to which countries benefit from it most.

MCAs were invented in the late 1960s, originally as a temporary measure to preserve a common market in agriculture from the effects of abrupt exchange rate movements in the EEC. But, despite repeated attempts to dismantle the system, most recently by France, it has gone from strength to strength.

In countries like Germany, whose currencies have appreciated in recent years, MCAs act as a subsidy to farmers' incomes, by enabling them to export high-priced goods competitively, and as a tax on food imports.

Conversely, in countries like

Britain and France, whose currencies have become relatively weaker, MCAs act as border taxes on farm exports and as a subsidy cheapening the price of food imports. Thus in Germany, a cut in the level of national MCAs reduces farmers' incomes, while in Britain and France it increases them.

In budgetary terms, trying to decide who gains most from MCAs is rather like arguing whether a zebra is a black animal with white stripes or vice-versa. Thus the Commission has wisely, if unconvincingly, ducked the issue by presenting last year's budget flow figures in two different ways. One attributes MCAs entirely to exporting countries while the other credits them purely to importing states (see table).

It is thus possible to argue that MCAs are a massive balance of payments subsidy to Britain which enable its consumers to buy imported food at well below common EEC prices and which held its net budget contribution last year down to an acceptable 404m units of account (£270m).

On the other hand, it can be maintained that they are a device which enables inefficient farmers in countries like Germany to continue over-producing high priced products

by means of a subsidy from the UK which swelled its net budget contribution last year to almost 1bn u.a.

Proponents of the former view would argue that Britain should not complain too much about alleged inequities in its budget contribution because these result to a large extent from its failure to maintain a stable currency. To which the UK retort is that Britain provides a huge market for imports of continental farm products which could not otherwise be

sold. Furthermore, MCAs fail to cover the full difference between EEC and world prices.

Without outlets in Britain, the argument goes, such production would either be added to EEC surpluses or dumped on the world market, at a substantially higher cost to the Common Market than at present. Why then, it is asked, should the UK be penalised through the EEC budget for helping to keep uncompetitive continental farmers in business at the expense of its own, more

efficient, producers? The fairest method of calculating budget flows in the EEC would probably be to abstract MCAs from the sums completely. But so far, the Commission has refused to do this, perhaps because it fears that it might then be forced to stop muddying the issue and point the finger of blame squarely at one country or another.

Despite the confusion caused by the dual presentation of MCAs, the Commission figures do come down in Britain's favour in one important respect. They show that however MCAs are attributed, Britain would have been the single largest net contributor to the budget last year if its payments had not been limited by the special arrangements enshrined in Article 131 of its EEC accession treaty.

These arrangements, which have so far set a ceiling on the annual rise in U.K. budget payments, lapse at the end of this year. The Commission figures leave little doubt that if Britain is not already the EEC's biggest net contributor, it is virtually certain to become so next year. This is a trump card for a Government arguing that it bears an unfair share of EEC costs—provided that it is played with more skill than the British hand has been so far.

## Romania cracks down on human rights activists

BY PAUL LENDVAI IN VIENNA

ROMANIAN police have arrested or temporarily detained a number of human rights activists, including leaders of an underground trade union movement and religious dissidents.

The arrests are part of a crackdown on organised political activity which is evidently causing some concern to the authorities.

Dr. Ion Căna and Mr. George Brașoveanu, an economist—the founders of the Free Unions of the Workers of Romania—have not been seen for several days and are feared either under house arrest or in jail.

Their telephones were disconnected on March 6, one day after Mr. Paul Goma, the exiled writer, announced in Paris that the movement had been formed.

The manifesto, the text of which has reached the West, calls for the right to associate freely, to found trade unions and join international union organisations.

The document also demands

an improvement of labour relations in general, and an end to privileges, including special shops and hotels, for party officials.

It was initially signed by 20 people living in Bucharest and Turnu Severin, a town in southwestern Romania. During the past two weeks, at least 25 others, mainly workers, are said to have joined the movement.

The signatories appended their addresses and in some cases, their telephone numbers. Significantly, the manifesto repeatedly referred to a speech by President Nicolae Ceaușescu, made in February, 1971, in which, obviously under the impact of the Polish upheaval of December, 1970, he sharply criticised the unions and called for real participation from below.

In view of low living standards and forced industrialisation, Romanian miners in the summer of 1977 staged a strike in the Jiu Valley protesting against poor living conditions

and in particular, against a new pension law. Subsequently, the Government made significant concessions and changed the controversial pension regulations.

The Free Union movement is the largest such organised action since a letter of petition initiated by Mr. Goma in February, 1977, and sent to the Belgrade follow-up conference on European security. Most of the signatories were harassed and temporarily detained by the police, but were finally allowed to emigrate to the West.

The police have also acted against religious dissidents. Mr. Gheorghe Calciu, 52, an orthodox priest and professor of theology, who had already spent 15 years in prisons and camps, was arrested on March 10 because he demanded more freedom and autonomy for the Orthodox Church.

Mr. Pavel Nicolescu, leader of the Baptists and founder of a 28-strong Christian committee for the defence of religious

rights, is understood to have been temporarily detained this week.

Mr. Dick Verhajek, a Dutch reporter who accompanied the visiting Dutch Foreign Minister to Bucharest and called on the parents of Mr. Nicolescu, was detained by the security police for 90 minutes yesterday, without any explanation.

Mr. Aurel Statu, a professor of German literature in Bucharest, was arrested earlier this month, as was Mr. Emil Riman, director of the Bucharest Municipal Theatre.

Both the declaration of the unionist group and statements issued by the Paris-based Committee in Defence of Human Rights in Romania were broadcast to Romania by the Munich-based Radio Free Europe.

Rumours, evidently spread by the régime, that the recent dissident movements are in fact acting on Soviet orders, have been strongly denied by observers. The fact that so many

people are willing to risk their freedom in making public protests, is seen here as a politically significant development, even though it does not pose a serious threat to the Romanian régime.

### ASEAN scheme

MANILA—An emergency petroleum sharing scheme, among the Association of South-East Asian Nations (ASEAN), will be the central topic of the ASEAN Council on Petroleum meeting which opens here today, an ASEAN spokesman said.

Initial outlines of the scheme would require net oil exporting ASEAN countries to set aside a portion of their production as part of the emergency petroleum pool to help net importing members, he said.

In times when no emergency exists, the ASEAN oil importing countries may also have to take part of the excess production of exporting members, he added. Reuter

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## OVERSEAS NEWS

## THE MIDDLE EAST

## Israel steps up oil drilling in Sinai prior to handover

BY DAVID LENNON IN TEL AVIV

ISRAEL this week started drilling a new well in the Sinai oilfields which it is due to hand over to Egypt in seven months time. It is the first of three new wells which Israel plans to drill in the coming months.

The American operating company, Superior-Neptune, did not want to carry out the work, because it sees no hope of recouping the investment. But the Israeli Government insisted that the company honour its contract and proceed with the drills.

Israel discovered oil in the Gulf of Suez, off A-Tur on the Sinai coast early last year. The

field, called Alma, was brought on stream last March and present production levels are about 34,000 barrels a day. This meets one-fifth of Israel's oil needs.

Nine wells are operating in the Alma field and its "B" extension. Three new wells will be in the extension and will be designated B-5, B-6 and B-7.

Because of the difficulty it has in obtaining oil, especially since its main source, Iran, has halted supplies, Israel was reluctant to give up the field. During the peace negotiations it tried to win preferential arrangements with

Egypt for supplies from the Alma field.

Superior-Neptune can bring a well on stream within 28 days. So even with only one rig, it will be possible to complete the new drilling and bring the wells on stream in advance of the hand-over date.

Completion of these new wells will match the original plan for 12 wells to be operating in the Alma field, producing close to 50,000 barrels a day.

Oil from the wells is fed through pipelines to a tanker anchored in the field which then carries the oil to Elat.

## Oil action welcomed in Baghdad

By Roger Matthews in Baghdad

THE DECISION by OPEC to increase the price of crude oil overshadowed the conference of Arab Foreign and Economic Ministers which opened here yesterday. The price rise was seen by the more radical states as a partially effective and swift response to U.S. involvement in the Egyptian-Israeli peace treaty signed on Monday.

The oil price decision may to some extent ease the pressure on the more conservative Arab countries, such as Saudi Arabia, to adopt a more actively anti-Egyptian stance. Conference delegates emphasised that whatever other factors may have influenced the OPEC move there should be little doubt that the U.S. role in the Egyptian-Israeli treaty was of major political importance to the main Arab producers.

Today however the Ministers from 18 Arab countries will again be concentrating here on specific sanctions to be taken against President Anwar Sadat of Egypt in implementation of the "secret" agreement reached at the summit meeting last November.

Our Cairo Correspondent: Egypt yesterday froze its activities with the Arab League to pre-empt any move against it at the Baghdad summit.

## Amin opponents prepare return to 'liberated' areas

BY OUR FOREIGN STAFF

THE CHAIRMAN of the newly formed Uganda National Liberation Front, which is dedicated to the overthrow of President Idi Amin, says as members would travel as soon as possible from their Tanzanian base into Uganda to administer "liberated" areas of the country.

Dr. Yosef Lule, 68, a former vice-chancellor of Uganda's Makerere University, said his organisation would probably establish itself in the southern town of Masaka in the heart of the area said to have been captured from Government forces.

In Uganda, itself, reports of the situation there remained confused, although Radio Uganda announced that President Idi Amin claimed a victory over invading Tanzanian forces.

It said Ugandan forces had "reunited" the airport at Entebbe with the capital Kampala. Earlier Radio Uganda reports that the road had been cut by the Tanzanians was treated sceptically by most observers and denied by the Tanzanians.

The state radio also issued a denial that President Amin had fled the country. It said he was at the front line commanding his troops.

The Uganda Liberation Front said it would be able to move into Uganda within days and

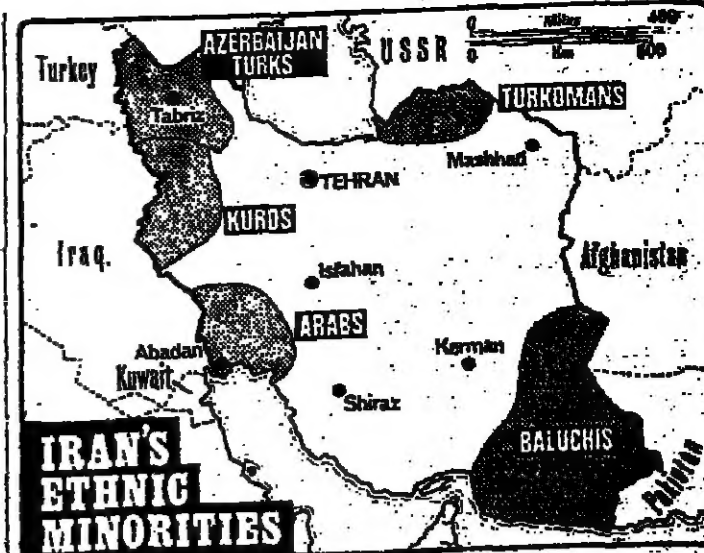
that the chairman of its military committee, Mr. Patisi Muvanga, was already on his way to the scene of the fighting between Tanzanian-backed exile forces and President Amin's own troops.

The Front gave a Press conference in the northern town of Mishi after a weekend meeting of Ugandan exiles from the United States, Europe and Africa which ended with the formation of the UNLF.

"The Ugandan problem is not new," Dr. Lule said. "Since 1971 we have been ruled by Amin and we have been subjected to all sorts of cruel treatment. Many of our people have died, we don't know exactly, perhaps 300,000."

Quentin Peel reports from Johannesburg: Guerrillas belonging to the South West Africa People's Organisation (SWAPO) have abducted 39 schoolgirls and a schoolmistress, and shot an elderly white farmer in the north of Namibia (South West Africa), the South African authorities in the Territory have claimed.

The shooting of the farmer followed reports of large bands of guerrillas operating beyond the traditional "operational area" in the territory.



## Turkomans battle supporters of Ayatollah Khomeini

BY SIMON HENDERSON IN TEHRAN

BITTER FIGHTING has broken out in the north-east Iranian town of Gonbad-e-Kabus between local people and supporters of Ayatollah Ruhollah Khomeini. This is the second time in a week that differences between provincial minorities and the central Government have resulted in violence.

At least 18 were killed and 40 wounded in the two days of fighting between the Turkomans of the area, close to the Soviet border, and Ayatollah's supporters, who have controlled the town since last month's revolution.

Iran's half million Turkomans, like the Kurds who took part in last week's fighting, have tried to assert their independence of the new Government. They have been taking over farmland which the exiled Shah had distributed to senior Army officers and civil servants.

The latest fighting occurred as the Iranian Army was finding itself in increasing disarray. Gen. Nassir Farabod was appointed as the new Army commander yesterday, to replace Gen. Mohammed Vali Qaraneh, who is believed to have resigned because he was unable to rebuild the Army as a fighting force.

Since the revolution, many soldiers have gone absent without leave, and more than 300 senior officers have been purged. The trouble in Gonbad-e-Kabus, the main Turkoman town, started on Monday, when a large meeting in a local park, held in protest at the killing by Government militia of a local boy, was fired on by militia and Army units.

Five people were killed and 40 injured in this incident. People in the town say firing has gone on continuously since then, and all the schools and shops have shut.

Yesterday, a group of Turkoman, disarmed Iranian border guards at a post on the Soviet frontier, while other Turkomans prepared to defend Gonbad-e-Kabus against further attacks by Government forces. Left-wing guerrillas are helping the local people, according to some reports. Three hundred armed supporters of Ayatollah Khomeini are also said to have arrived in the town.

Last week's disturbances in Kurdistan, close to the Iraqi border, were partially quelled after a delegation led by a senior religious leader went to the area.

The official news agency, reporting the Turkoman fighting, says local Moslem priests have asked for a similar delegation to be sent to the Turkoman region.

## Bhutto sentence 'should be commuted,' says judge

BY CHRIS SHERWELL IN ISLAMABAD

IN A new development which could significantly improve Mr. Bhutto's chances of escaping the gallows, a Pakistan Supreme Court judge has disclosed that the court's final decision on the fate of the condemned former Prime Minister amounted to a recommendation that his death sentence be commuted.

Mr. Justice Saffar Shah, one of the three-man dissenting minority which originally acquitted Mr. Bhutto, said yesterday that all seven judges were aware that this was the construction to be put upon a key phrase inserted into their final pronouncement on the case last Saturday.

In that judgment, rejecting a request for a review of their earlier split opinion confirming Mr. Bhutto's death sentence, the judges stated that defence arguments for a reduction of sentence were "relevant for consideration by the executive authorities in the exercise of their prerogative of clemency."

Officials have since been at pains to discount reports that this amounted to a request that Pakistan's military ruler, General Zia-ul-Haq, commute the sentence. But Mr. Justice

Saffar Shah has now contradicted this interpretation totally. Answering journalists' questions, he said: "These words should be honoured by any head of state and they should commute the sentence. Even the slightest suggestion by the Supreme Court, saying 'while our hands are tied these are considerations for the executive' means that they will always commute the sentence. There is not one occasion I can remember in which they have been violated."

This statement will undoubtedly increase the pressure on General Zia to commute Mr. Bhutto's death sentence. It also coincides with the interpretation put upon the relevant phrase by Mr. Bhutto's lawyers.

It will almost certainly put the spotlight back on the seven judges, who have been involved in a tremendous legal tussle in arriving at their final conclusions in the case. Last month they split four-three on the crucial matter of Mr. Bhutto's guilt. The majority then confirmed the death sentence without, as it turns out, hearing arguments on the matter from Mr. Bhutto's defence lawyers.

## Cambodian guerrillas 'hit back at Vietnamese'

BANGKOK — Guerrillas of the fallen Cambodian regime claimed yesterday they had killed or wounded more than 300 Vietnamese soldiers and destroyed six military vehicles in recent fighting in six areas of Cambodia.

The voice of Democratic Kampuchea also continued its attacks on Laos, branding it a slave state of Vietnam.

It said that under the toppled regime of Premier Pol Pot the Vietnamese stationed three divisions along the border between Laos and Cambodia and used the Laotian embassy in Phnom Penh to carry out espionage.

The broadcast said guerrilla forces scored fresh victories in the week ended March 23 in Ratanakiri province in the northeast, Kompong Cham, Kompong Thom and Kompong Chhnang in the east and central part of the country, along highway four from Phnom Penh and the sea and at Battambang in the northwest.

Meanwhile, at the Thai-Cambodian border it was reported that Pol Pot troops had staged attacks against the key frontier crossing town of Poipet early yesterday.

Sounds of fighting could be heard in the Thai town of Aranyaprathet, just across a border-making creek from Poipet which was captured by the Vietnamese-backed Government forces early this month.

Bands of guerrilla fighters still operate along the Thai-Cambodian border and sometimes make contact with Thai officials along the frontier. Some reporters have entered Cambodia to interview and photograph the Pol Pot troops who appear to have come under increased pressure over the past month.

Vietnamese reinforcements recently have been sent to Cambodia, possibly to launch a drive against the remnants of the toppled regime before the monsoon rains set in and make military operations difficult, according to reports from Bangkok.

One Asian analyst said elements of three to four divisions had moved into Cambodia. Western analysts could not confirm this figure but said reinforcements had been dispatched and estimated the Vietnamese force now inside Cambodia at between 120,000 and 150,000 troops.

Kanal pulled some of its troops out of Cambodia during the recent border war between China and Vietnam as part of a mass movement to strengthen its northern frontier with China.

Meanwhile in Tokyo, two Japanese newspapers said yesterday that the Soviet Union had been conducting large-scale military exercises near the Chinese border since early this month. Agencies



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## WORLD TRADE NEWS

## Russia's Western trade deficit widens sharply

BY ANTHONY ROBINSON, EAST EUROPE CORRESPONDENT

THE SOVIET UNION'S trade deficit with the West doubled last year to 2.28bn roubles (£2.98bn), but its overall trade remained in surplus thanks to a continuing but reduced surplus on trade with Comecon and higher exports to the developing countries.

The overall balance of trade showed a surplus of 1.1bn roubles (£1.46bn) which was sharply down on the 1977 surplus of 3.1bn roubles, the Ministry of Foreign Trade announced. This was partly due to a drop in Soviet exports to the West, down to 8.7bn roubles from 8.8bn, coupled with higher imports from the West of 10.9bn roubles compared with 9.9bn roubles in 1977. Another major factor was

a sharp drop in the surplus on Soviet trade with the rest of Comecon which fell to 469m roubles from 1.6bn roubles on a 17.5 per cent rise in trade turnover to 39bn roubles.

Comecon trade showed the most dynamic growth last year with Soviet exports rising to 19.7bn roubles from 17.4bn, while imports rose to 19.2bn roubles from 15.8bn. The Soviet Union has accumulated an overall trade surplus of an estimated 22.5bn over the last four years following higher export prices for its oil, gas and raw material exports. Part of this deficit has been converted into long-term loans.

The latest figures show the effort now being made to redress the imbalance. Poland,

for example, which has borrowed from both the Soviet Union and the West to finance its trade deficits and investment programmes, turned a 1977 deficit of 324m roubles into a surplus of 150m roubles last year. Soviet imports from Poland jumped from 2.87bn roubles to 3.60bn, while exports rose at a slower pace from 3.2bn to 3.45bn roubles.

The Soviet Union's trade with the developing countries grew by only 2.6 per cent last year, but its surplus increased to 2.9bn roubles from 2.3bn in 1977, reflecting a rise in exports to 5.7bn roubles from 5.3bn while imports from the developing countries dropped to 2.8bn from 3bn in 1977.

## Pakistan signs \$330m Mirage deal

BY GILES MERRITT IN BRUSSELS

In an attempt to modernise its ageing airforce, Pakistan's military Government is to purchase 32 Mirage 3 and Mirage 5 jet fighter aircraft from France under a \$330m contract signed in Pakistan yesterday. Chris Sherwell reports from Islamabad. The exact number of each aircraft are not known, but they amount to two new squadrons. Pakistan already has four fighter squadrons and one reconnaissance squadron of Mirage 3s. The first of the new aircraft will be delivered in 1981. Details of the armament and missiles they will carry are not known at this stage.

## Concast U.S. order

Concast of Zurich has received a turnkey contract to supply a 1m tons a year continuous slab casting plant for the Granite City steel division of National Steel Corporation of the U.S. with commissioning scheduled for early 1981 our Zurich Correspondent writes.

## Ecuador power plant

Toyo Menka has signed an agreement for construction in Ecuador of a 34,500 kw thermo-electric power plant. The \$23.7m plant is to be completed within 18 months. Toyo Menka will provide finance for 85 per cent of the cost, with the remainder being met by a \$3.5m loan provided by the Bank of London and Montreal, Reuter reports from Quito.

## SHIPBUILDING

## EEC 'scrap and build' plan finalised

BY GILES MERRITT IN BRUSSELS

PLANS BY the European Commission for an EEC "scrap and build" scheme that would ease the shipping industry's over capacity problems while providing work for shipyards in the Nine have now been settled in advance of a key meeting next month with representatives of European shipowners and shipbuilders.

The scheme proposes a yearly target of 2m compensated gross registered tons, cgt, (tonnage adjusted to reflect the work content of scrapped shipping and 1m cgt tons in ships built. It would thus give a major boost to EEC shipyards, whose 1980 output is forecast at only 2.4m cgt tons. The cost of providing incentives and paying compensatory premiums is put at \$150m (£75m) a year, and the Brussels Commission is considering use of the new Ortol

facility loans instrument to provide the money.

Following negotiations with representative shipowners grouped in the Confederation des Associations des Armateurs de la Communauté Européenne (CAACE) and the EEC Shipbuilders' Linking Committee, the Brussels Commission is understood to be considering the possibility of introducing the scrap and build scheme by the end of this year.

Although there remains opposition to the plan within the European Commission itself, for the scheme is based on the assumption that 1983 will see a recovery in shipbuilding—it is now clear that the proposals have been welcomed by the two industries concerned.

The idea of scrap and build was first put forward in London

by the International Maritime Industries Forum in November as a worldwide programme, but has since been refined by the Commission as a Community scheme.

However, the working party that has produced the Commission's draft scheme does suggest that non-EEC countries should be invited to take part and that other major shipping and shipbuilding nations, such as some Scandinavian countries and Japan, should be encouraged to introduce similar systems.

In its present form the scheme would run for a basic period of two years, with an option for it to be prolonged for a further one or two years.

Non-cargo carrying ships would be excluded, as would ships already sold for scrapping or laid up for more than 12

months. A set of age limits is also set out so that, for example, oil tankers from 50,000 dwt to 120,000 dwt would be ineligible if over 14 years old.

Ships built under the programme would have to fly one of the flags of the Nine, and if subsequently transferred outside the EEC the shipowners would have to repay the premiums received, at the rate of 100 per cent for the first two years after completion, 70 per cent in the third year and 30 per cent in the fourth.

Lynton McLain adds: Sir James Dunnet, chairman of the independent International Maritime Industries Forum said in London this week that he thought it unlikely that full international agreement would be reached for implementing the scheme. A range of national schemes is more likely, he said.

## E. Europe halts opening of UN meeting

BY BRIJ KHANDARIA IN GENEVA

THE SOVIET UNION and its eastern bloc allies yesterday blocked the formal opening of the UN Economic Commission for Europe (ECE) annual conference by insisting at the last minute that a three-year-old Soviet proposal calling for "all-European congresses" to discuss environment, energy and transport remain on the Commission's agenda.

The West has been lukewarm towards the proposals but under

pressure from the East in the past reluctantly allowed preparatory work to be undertaken aimed at calling a "high-level" meeting to discuss protection of the environment. No substantive discussions have yet been held on the proposals concerning energy and transport.

The Eastern camp agreed to go along with this but is now insisting that its original proposals for far-reaching "con-

gresses" on all three themes should not be shelved until a decision is taken on whether the meeting on environment will be held.

The Soviet proposals are thought to arise from fears that it might be left out of the mainstream of developments in Europe concerning co-operation in energy, anti-pollution measures and long-haul transport matters.

## Soviets plan atomic ships

BY DAVID SATTIER IN MOSCOW

THE SOVIET UNION has begun work on the development of atomic-powered cargo ships with an eye to adding them to its rapidly growing merchant fleet.

The Tass news agency reports that the effectiveness of atomic-powered ice breakers and the safety of maintaining them convinced Soviet shipbuilders of the expediency of using atomic fuels

for cargo ships on the longest routes.

The news agency said the requirements for using atomic power plants on vessels of more than 25,000 deadweight tonnes are now being worked out.

Experimental nuclear-powered merchant vessels have been built in the West, but none has proved commercially successful.

## Second half rise in Japanese exports seen

BY RICHARD C. HANSON IN TOKYO

JAPANESE exports are now as competitive internationally as they were in March last year, when the dollar was valued at around ¥232, if the difference in inflation rates of about 10 per cent of the past year between the U.S. and Japan is considered, Bank of Tokyo newsletter says.

This means exports from Japan will probably pick up in the latter half of the year after reaching a bottom level in volume terms during the first quarter. At the same time, it is likely that the speed of increase in imports of manufactured goods will decline beginning in April after rising from January to March.

At the same time, import of

raw materials will increase as domestic inventories fall and demand rises with an expansion of exports.

The bank's analysts appear to reinforce the worrying impression that a slowdown in momentum of European Community exports to Japan will continue through this year while exports from the U.S. increase.

This is because the U.S. exports more raw materials to Japan than Europe, which would like to increase export of manufactured goods. If the trends continue through the year, Japan's surplus with the U.S. may well decline, with a corresponding increase in its surplus to Europe.

"The importance of trace elements in the soil is now becoming accepted throughout the world, so although we're still a fairly small company, our exports of crop nutrients are growing by leaps and bounds."

"When you're breaking into new markets as we are, you feel the need for somebody alongside—from the risk point of view, I mean. Early on, therefore, we took out an ECGD insurance policy."

"ECGD gives us discretion to trade without their say-so on small orders which gets things rolling. They've never refused us cover and although we've never had a claim, I can truthfully say this: without ECGD, we wouldn't have dared attempt half the things we have."

Mr E.W. Hutchinson (seated) and Mr E.S. Roberts are Directors of Interlates Limited, of Skelmersdale, exporters of crop nutrients to Europe, Australasia and the Middle East.



## Anti-fire agent queried

BY GUY DE JONQUIERES, COMMON MARKET CORRESPONDENT

THE EUROPEAN COMMISSION called yesterday for an EEC ban on the sale of clothing treated with dibromopropyl, a fire-proofing product that is suspected of causing cancer.

Use of dibromopropyl in children's night clothes was prohibited in the U.S. more than 18 months after American laboratory tests showed that it could have harmful effects on living creatures.

Since then, France, Belgium and Britain have also decided to ban the sale, and in some cases all production, of clothing

treated with the product. Officially, the Commission has proposed the ban in order to prevent a distortion in trade inside the EEC. It has received independent expert advice confirming the findings of the American tests.

But it is understood that a major purpose of its proposal is to close the EEC market to U.S. companies which have apparently been exporting clothing treated with the substance to Europe in significant quantities since the American ban took effect.

## Sales of timepieces to show steady increases

BY JOHN LLOYD

THE WORLD market for watches is expected to rise by more than 5 per cent a year until 1985, while the market for clocks is forecast to grow by 4.3 per cent a year over the same period.

According to a study by Mackintosh Consultants, the total number of watches sold worldwide in 1978 was 280m units. This will grow to 286m in 1980 and 366m in 1985. With these overall figures, the percentage of production which is quartz, or electronic, watches will rise from 25 per cent in 1978 (68m units) to 37 per cent in 1980 (106m units) and 54 per cent in 1985 (197m units).

In clocks, 187m units were sold worldwide in 1978, forecast to rise to 206m by 1980 and 249m in 1985. Electronic clocks accounted for 32 per cent of production in 1978, and will account for 55 per cent in 1980 and 68 per cent in 1985.

The light-emitting diode type of watch, where a button must be pressed to illuminate the dial—is expected to drop to 17 per cent of the market by 1980 and only 5 per cent by 1985.

In contrast, the so-called "quartz analogue" watch—with an electronic movement but with conventional face—is expected to grow in popularity as it gets cheaper.

"Digital time-keeping has the major deficiency of not providing any indication either of elapsed time or 'time to go', and although many customers are attracted by the electronic product all indications are that the majority prefer what they are used to, that is, an analogue indication of time."

In Europe, the British, French and West German markets for watches are expected to grow at between 2.5 and 3 per cent annually, with a similar rate of increase for clocks.

The UK market will grow from 12m units in 1978 to 15m in 1985, the French from 11.4m to 14.7m and the West German from 13.2m to 15.2m in the same period.

The study says that a major area of growth in the UK will be in cars, as more and more vehicle manufacturers install clocks in the less expensive vehicles.

"It is expected that the proportion of vehicles produced in the UK with clocks as standard fittings will increase from 30-40 per cent at present to 60-70 per cent by 1985."

## Surcharge hits Calcutta cargo

By Our Foreign Staff

CONFERENCE COVERING the trades between Europe and India have announced a surcharge of 20 per cent on all cargo loaded and discharged at Calcutta, effective for vessels beginning to load on April 9, 1979.

There has been a heavy build-up of congestion at Calcutta, which has held up the handling of 70,000 tonnes of jute hoods cargo already with little prospect of the situation easing in the near future.

According to one prominent shipper, what amounts to an undeclared relay strike is going on at the port, paralysing all activities.

The situation was alleviated yesterday when port authorities called for the national volunteer force to give full protection to all those willing to work. Operations showed immediate improvement and port authorities moved the Government to declare a state of emergency to make the strikes illegal.

## Algerian fertilisers

Phosmax Ceko, the Polish foreign trade organisation, has won orders worth around \$43m to supply two 500,000 tonnes a year sulphuric acid plants to the Algerian company Sonatrach to form part of a fertiliser complex to be constructed by Marubeni and Hitachi of Japan, our Warsaw correspondent writes.

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To make an appointment or for information contact the Information Officers, Export Credits Guarantee Department—quoting reference FTU—at Glasgow, Belfast, Leeds, Manchester, Birmingham, Cambridge, Bristol, London West End, Croydon or Tottenham offices; or Joan Swales, Information Section, ECGD, Aldermanbury House, London EC2P 2EL. (Tel: 01-606 6699, Extn. 258).

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## Ezra accepts three more years at NCB

JOHN LLOYD

REK EZRA, chairman of the National Coal Board, has asked by Mr. Anthony Wood, the Energy Secretary, to remain at his post for a further three years, and accepted. An official statement is expected next week. Mr. Ezra, 60 last month, has been in the post since 1971, and has been reappointed for a further three years. He is seen as a key figure in the NCB over the difficult period of restructuring and ensuring that the investment remains at levels of around 10 per cent. He will also benefit from the new salary recommendations for nationalised industry chairmen and boards by the Top Salaries Body and approved by the Government last year. Sir Ezra's salary will rise from this year to about £100,000. He has been chairman of the NCB since 1971, and presided over the initial implementation of the new coal industry in the oil crisis, which saw the decline of the NCB. He spent all his work in the NCB since leaving in 1947. He was general manager of marketing



SIR DEREK EZRA  
reappointed by Benn

from 1960-65, a Board member from 1965, and deputy chairman, under Lord Robens, from 1967-1971. Sir Derek has good relations with Mr. Joe Garmley, the president of the National Union of Mineworkers, who is reported to be reconsidering a decision to retire later this year.

## REFERENCE ON U.S. BANKING

## Call to remove state barriers

MICHAEL LAFFERTY

CRITICISMS of the U.S. banking system which prevent interstate banking in the U.S. were heard at a conference in New York last week.

Muriel Siebert, the New York state superintendent of banks, said there was no doubt that the barriers created by the states were "essentially insurmountable".

She said she was now observing the effects of the 1976 revision of district barriers in New York state. Now it is time to look at the effects of state banking. Mr. A. Schapiro, of the New York state banking department, said that the "legal barrier of state policies on banking and bank companies" and called for the removal of state barriers. He said that the barriers to interstate banking are removed so that the opportunities are reserved for overseas banks. The presence of foreign banks in the U.S. will seem less ominous. Schapiro told the conference that the City of New York and the U.S. Government Research Corporation, which has been caused by laws which restrict the growth of foreign banks, had created advantages for domestic banks. "Japanese banks are free to branch in New York, while New York banks are excluded; branches of British banks flourish in New York, although out-of-state banks are denied such privileges."

## retitive

is welcomes branches of foreign banks, while U.S. banks are barred. These states choose to invite foreign banks, even by that had full service in other states, in discriminating against our domestic banks. "The presence of foreign banks was only one manifestation of a trend which created a wide pattern of com-

petitive U.S. banks have contributed vigorously to this worldwide phenomenon. Assets of U.S. banks overseas totalled \$290bn as of October 1978 or more than 21 times the assets of foreign banks in the U.S."

In recognition of the importance of foreign banks to New York, Muriel Siebert said she was reorganising the state's banking department to provide a new division "geared to the supervision of foreign branches and agencies."

She believed that the present state tax and regulatory environment in the U.S. should be made more favourable to international banking business. The result of burdens such as reserve requirements and interest rate limits, was that U.S. banks conduct much of their international banking business from offices overseas.

"The U.S. is losing not only the employment which such offices generate, but an important aspect of its position as one of the world's truly universal financial market places."

## Nucleus

Miss Siebert said the "international banking facilities (IBF)" proposal was a creative solution to the problem. The facility could apply to domestic and foreign banks in the U.S., and would be confined to "doing banking business which was foreign in origin and destination."

"We believe the IBF proposal will not only bring back business for domestic banks which have been forced offshore by artificial regulatory and fiscal barriers, but will form the nucleus of an important international banking market in the U.S. which will attract participation from major banks throughout the world."

Mr. John Ginaris of London stockbrokers J. and A. Scrimgeour, said it was a platitude that the growth of the Euro-currency markets had been caused by freedom and flexibility. Closer observation showed that the spread of U.S. banks abroad was "related to U.S. economic power and the growth of U.S. trade."

## Order puts ban on 'mythical bargains'

BY PAUL TAYLOR

THE GOVERNMENT yesterday introduced wide ranging regulations aimed at stopping bogus and misleading bargain offers. But the Government has decided not to introduce a comprehensive ban on all shop price comparisons with manufacturers' recommended retail prices.

With certain exceptions the bulk of the new regulations start on July 2 but it is clear that, following strong opposition from retailers and manufacturers, the Government has made some concessions to its original proposals.

The proposals were outlined in October by Mr. Roy Hattersley, Prices Secretary. Following consultations the final Order was put before Parliament by Mr. Robert MacLennan, Parliamentary Under Secretary of State for Prices and Consumer Protection, yesterday.

The new Order will make it illegal for manufacturers, retailers and advertisers to offer "mythical bargains" using false comparisons.

Shop price comparisons with recommended retail prices are to be banned only in certain sectors as suggested by the Price Commission, where "there is evidence that they are inflated."

Price comparisons with RRP's are already banned on beds and Mr. MacLennan said consultations will start immediately on banning similar comparisons in

the consumer electronic, household, electric, carpets and furniture sectors.

Mr. MacLennan said the Government had accepted undertakings from soap, detergent and toiletry manufacturers to limit "bargain packs."

He said the Government has decided not to place a total ban on recommended retail prices because "in some sectors they may play a useful role."

However, he warned that the Price Commission would be asked to monitor the way in which RRP's are used and said the Government would take further action if this proved to be necessary.

## Examples

Specific misleading bargain offers banned by the Order include those like—worth £50, our price £30—our price £26, price elsewhere £32—reduction of up to 50 per cent.

Mr. MacLennan said a wide range of genuine and informative claims will still be permitted such as comparisons with future or previous prices and comparisons with prices charged by named competitors. He rejected suggestions that the regulations could lead to higher shop prices.

The Government has agreed to a longer introduction period

for some products. The Order will come into effect on pre-packed goods and for some forms of advertisements from January 1 next year and for mail order catalogues from October 1 this year.

Retailers face fines of up to £1,000 for breaches of the regulations on summary conviction and unlimited fines on indictment.

Mr. Garvin Fisher, chairman of the Retail Trading Standards Association, speaking at the Drapers' Chamber of Trade annual luncheon in London yesterday condemned the new bargain offer regulations as "ineffective" and said they would place a further unnecessary burden on retailers and the enforcement agencies.

Mr. Fisher said the Order had been "rushed" through and claimed that it could lead to higher shop prices.

Both the Retail Trading Standards Association and the Retail Consortium stressed that while they welcomed the aim of the new regulations they were concerned about a number of the details.

The consortium said it was particularly concerned about the timetable which it described as "unrealistic" for the retailer and "confusing" for the customer.

## Service industry grant rise

By John Elliott, Industrial Editor

GRANTS of up to £6,000 are to be made available by the Government for each job created by new service industry projects in assisted areas as a result of regional aid improvements announced yesterday by the Department of Industry.

Under the service industries' grants scheme, the maximum amount allowable by the Government for projects introducing white-collar employment into special development areas is being raised from £4,000 per job to £6,000. The maximum in development areas rises to £4,000 and in intermediate areas to £2,000.

The scheme is aimed at encouraging service industries to move into the assisted areas. The grants are also paid to existing service industries to assist expansion.

Under new operating arrangements, half the grant offered will be paid one year after the start of a project to help offset the immediate costs of disturbance. The balance will be paid two years later or when the project is completed. The total amount paid may also be reduced if fewer jobs are created than was originally expected.

A fixed, non-taxable Government grant of £1,500 will also be paid to "essential staff" moving into the new offices.

## Labour MP urges end to shipbuilding subsidies in EEC

BY IAN HARGREAVES, SHIPPING CORRESPONDENT

A CALL for the ending of shipbuilding subsidies in the Common Market was made yesterday by Mr. John Prescott, leader of the Labour delegation to the European Parliament.

Mr. Prescott said that instead of providing subsidies, EEC governments should be forcing their ship owners to order any new tonnage required from EEC yards.

Mr. Prescott, Labour MP for Hull East, said the policy was failing to win orders for European yards because their subsidised prices were being matched or bettered by competitors in the Far East.

Subsidies were a waste of resources, which would be better spent on social and welfare facilities, he said.

He told ship owners at a Sea-trade conference in London that they "could not have it both ways" in the argument about free trade.

Ship owners wanted EEC intervention to stave off the threat from low-price Soviet competition in the liner trades, but were unwilling to accept restrictions in their own freedom to order ships from any yard they chose.

"If you want the politicians to help in one area, there is a price you must pay," he said.

Mr. Prescott's plan, for which he is seeking support throughout the EEC, also envisages sharing out the orders available from European owners to shipyards throughout the community.

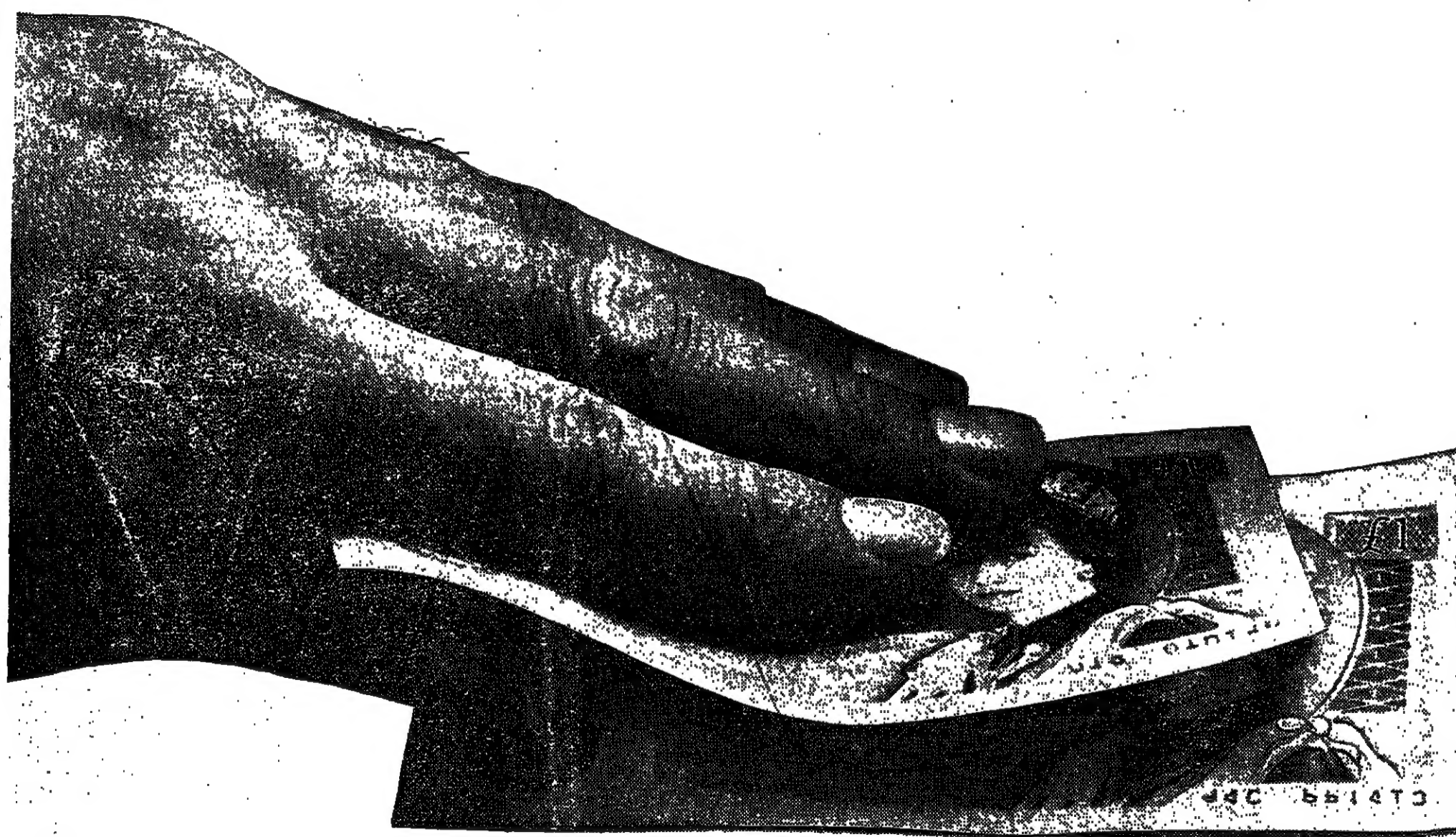
This would be necessary, he said, to prevent certain yards, such as those of Britain, being starved of orders. An optimum European building price could be agreed for various vessel types, although the actual price to the owner would vary according to currency and other factors.

Earlier the conference was told that the strength of sterling has "disturbing implications for the competitiveness of UK industry."

Mr. Roberto Mendoza, vice-president of the Morgan Guaranty Trust, said his company's economists were predicting that UK manufactured goods prices would rise by 4.5 to 5 per cent above the level of the country's trading partners this year.

This, added to the oil-related strength of sterling, would impair UK exporters' competitiveness and reduce the incentives for industrial investment.

Although there was no immediate risk of sterling weakening, in the longer term some fall may be necessary in order to remedy this situation, he said.



# NRDC will back your new technology pound for pound

## n Blaue book fetches 9,000 at Sotheby's

MARKABLE price of (plus the 10.8 per cent premium) was paid at yesterday for Jan Towns' book of the ands, a third edition published in Amsterdam in 1649. The estimated price of £10,000-£15,000. The London dealer, £16,000 for Isolario ante Veneto by Coronelli, maps, which was published in Venice in the late 18th century. High prices were the for Tooley for an atlas of 1823 with 156 maps by hand, and £9,000, Burgess again, for John The Theatre of the of Great Britain. An asters drawings auction £25,757, with a top price of £10,000 for a pen and ink by of two figures. Swiss enamelled gold by box, made in Geneva early 19th century, was by Koopman, for £25,000, the 10.8 per cent buyer's

## SALEROOM

BY ANTONY THORNCROFT

premium) at Christie's sale of miniatures and objects of vertu which fetched £161,890. Koopman also acquired a miniature of George III by Richard Cross for £6,200.

The Japanese ceramics and works of art at Christie's totalled £112,409. A Meiji period bronze group of an elephant and a crocodile in combat sold for £5,500, as did a pair of Imari figures of smiling bijin. A rare Arita dish was bought by Winifred Williams for £4,800.

A dozen bottles of Chateau Mouton-Rothschild 1929 made the good price of £1,200 at Bonhams. A magnum of Lafite 1874 went for £600, and six magnums of Lafite 1934 for £700. An auction of British Stamps at Robson Lowe brought in £190,969.

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## Pollution cost of electricity 'over £360m'

BY DAVID FISHLOCK, SCIENCE EDITOR

THE BRITISH electricity supply industry should be required to cleanse all flue gases of sulphur dioxide before releasing them into the atmosphere, says a report submitted today to the Commission on Energy and the Environment.

The report, from the International Youth Federation for Environmental Studies and Conservation, accuses the industry of causing widespread damage in Scandinavia through emissions from its coal-burning power stations.

It puts the cost of this damage at between £360m and £520m a year. In written evidence to the commission, which under the chairmanship of Lord Flowers, has just begun to investigate coal, the report proposes statutory limits for sulphur emissions from all coal-consuming plants, including fluidised-bed combustion systems and coal liquefying and gasifying processes.

### Drax action

It also seeks urgent action to change the design of the new coal-fired station at Drax, so its pollution control systems can be included.

The study says that to adopt nuclear energy instead of coal-burning would be one way of controlling sulphur pollution but quotes an earlier study by Lord Flowers, on nuclear energy, as saying that it would be "far too slow". It also argues that it would work out more expensive "even when one allows for the fact that nuclear power stations achieve a 100 per cent reduction

in sulphur dioxide emissions, as against about 90 per cent for flue gas desulphurisation systems."

According to the study, Britain releases about 2.9m tons of sulphur oxides a year—more than any other European country. It exports over two-thirds of this pollution, it says, while importing only about 100,000-200,000 tons from other countries.

The study estimates that flue gas desulphurisation would cost Britain between £170m and £340m a year.

The Central Electricity Generating Board, the organisation which would be most affected by the report's proposals, said yesterday that if the Government enforced flue gas desulphurisation, it would be unable to install it on more than 8,000 MW of plant by 1990. It would be restricted by the rate at which it could take plant out of service.

The annual cost of this pollution control plant by 1990 would be £300m a year at current prices and would increase the cost of electricity from the stations involved by 25 to 30 per cent a year. These estimates are also being submitted to the commission, in an overview from the CEBG early next month.

The commission, set up by the departments of Energy and the Environment, has just begun to take evidence for its first major study, of the long-term environmental implications of an energy policy partly founded on coal.

## Restyled Jaguars launched today

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

A SUBTLY restyled range of Jaguar and Daimler cars is launched today by BL and output is to be stepped up considerably this year to meet expected demand.

More than £7m was invested by the Jaguar, Rover, Triumph division in re-tooling and production costs — relatively modest in motor industry terms — for the new range, named the Series III.

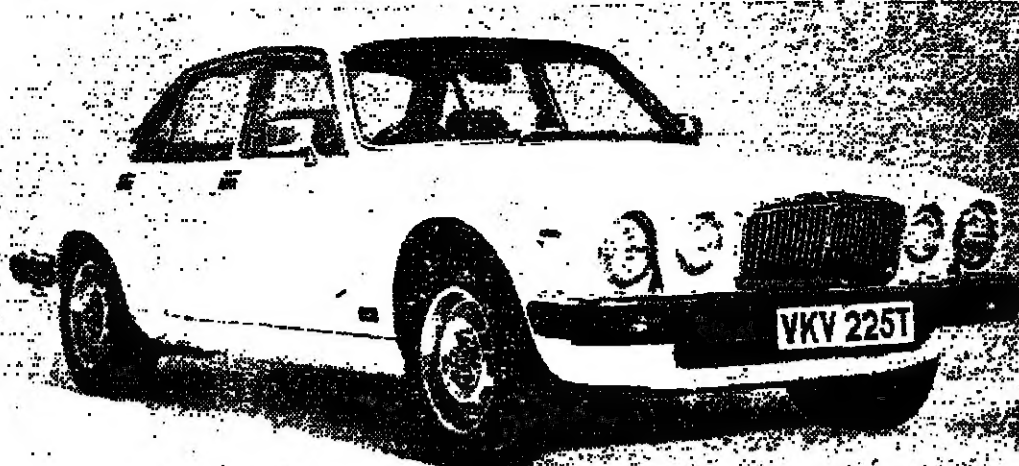
Jaguar and Daimler cars will also share a new £15m paint plant at Castle Bromwich, near Birmingham, with the TR7.

Prices of the new cars, which replace all current Jaguars and Daimlers, with the exception of the Jaguar XJS and Daimler limousine, vary from £11,189 for the XJ6 3.4 litre to £15,689 for the Daimler Double-Six, automatic and £20,278 for the Vanden Plas version of the Double-Six.

JRT believes this makes the new range very competitive with major European rivals, Mercedes and BMW, as well as the Cadillacs, Lincoln Continental and Chrysler Imperial in the important North American markets.

Last year 26,500 Jaguars and Daimlers were produced of which about 45 per cent (nearly 13,500) were sold in the UK.

The company has budgeted to lift production by 11½ per



The restyled series III Jaguar, in the 5.3 litre version

cent this year to around 29,500, including about 3,000 Jaguar XJS models. In January and February and early March output fell below budget but JRT insists there will be no major shortages of the kind which marred the introduction of the Rover saloon in 1978.

Mr. Peter Murrrough, JRT's sales director, said: "We have never had so many cars available for a Jaguar launch and the supply pipeline is full."

However, it can be expected that the new Jaguar will fetch a premium on resale in the short term.

The new range should enable Jaguar to improve on its North American business—worth up to £80m a year. The U.S. took nearly 5,000 Jaguars last year and Mr. Murrrough estimates per cent more when the cars were available.

Fresh styling gives the Series III saloons a contemporary shape without spoiling the elegance of the former body-shell, a classic design introduced in 1968 and continued with Series II in 1974.

Recognising that many will be chauffeur-driven, JRT has changed the roof line to provide

rear seat passengers with more headroom and greater glass area. Electronic fuel injection, previously available only with the top of the range models, is extended to six-cylinder, 4.2 litre engines.

Series III Jaguars are available in 3.4, 4.2 and 5.3 litre form while the Daimlers and the Vanden Plas use the two larger engines.

Push-button controls feature prominently, with an electrically operated sliding roof, exterior view mirrors, seat height adjustment and cruise control just part of a new optional item package.

## Restaurants must list extras

BY PAUL TAYLOR

CAFES, RESTAURANTS, and pubs selling food and drinks will have to display their prices under regulations introduced by the Government yesterday and which come into effect on July 30.

An Order requiring the display of food and drink prices sold for consumption on the premises was put before Parlia-

ment by Mr. Robert MacLennan, Under Secretary of State for Prices and Consumer Protection.

Under the regulations, establishments offering table service must display prices so they can be seen by potential customers before they enter.

The display will have to include Value Added Tax and other charges such as cover, and

minimum prices. This will mean price lists at the door in most cases or immediately outside dining rooms in hotels and restaurants.

In the case of pubs, already required to show drink prices, self-service restaurants, and cafes, prices will have to be shown at the point where the customer makes his choice.

## Welsh plan means 1,000 more jobs

Financial Times Reporter

JOBS FOR a further 1,000 people in manufacturing are to be created in Mid Wales as a result of a decision to build another 75 advance factories in the area.

Mr. Emrys Roberts, chairman of the Development Board of Rural Wales, said yesterday there was now only one factory available in the area. The Board had filed 71 in the last two years, creating work for 4,650 people.

"The accomplishments so far strengthen the Board's confidence that its work will present Mid Wales as an area of new opportunities," Mr. Roberts said, with a greater population, a wider job range for young people and enlarged social and community facilities. Mid Wales is no longer in decline.

Aberystwyth will get the largest slice of the new allocation, 11 factories, one of which will be of 5,000 sq ft.

Other towns to benefit will be Newtown, with nine, including one of 20,000 sq ft, Lampeter with eight, Brecon with seven and Dolgellau with six. Others will go to Cardigan, Bala, Tywyn, Bulth Wells, Ystradgynlais, Llandiloes and Welshpool.

Mr. Roberts added that training would also play an important role in the Board's plans. "After full discussion with the Manpower Services Commission, the Board has agreed with the Mid Wales Training Council to appoint a training co-ordinator to train local people for the region's new industries."

## Brokers concerned about expansion in money supply

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

A WARNING about possible expansionary influences on the money supply, notably from bank lending, comes this morning from City stockbrokers W. Greenwell.

In their latest monetary bulletin, the brokers describe the money supply figures, published last Thursday, as disappointing and say there is "continuing evidence that the growth of the monetary aggregates has accelerated."

In particular, Greenwell focuses on the £1bn rise in bank lending in the month to mid-February and expresses doubts about how much of this is the result of distortions caused by recent industrial disputes.

The brokers are suspicious because "bank lending did not accelerate during the UK's three-day working week in 1974 or during the coal strike and harsh winter in 1978 in the U.S."

Looking ahead, the brokers say that large official sales of gilt-edged stock—amounting to £2bn between mid-February and mid-May—may not be "so large as to guarantee the early return of monetary growth to within the 8 to 12 per cent target range set last October."

Another major influence on the money supply might be very expansionary. "The main threat at the moment would appear to be buoyant bank lending. For good reasons, the authorities are signalling that short-term interest rates should not fall. Indeed, they have just raised the rate of interest on certificates of deposit."

The bulletin also points to the recent rapid expansion of domestic credit—£2,79bn in the past three months. "Given the

recent level of domestic credit expansion, sterling has been surprisingly firm," it says.

"A partial explanation is that many other countries have been experiencing excessive monetary growth so that in relative terms monetary pressure in the UK has not been very high. Another possible explanation is that the time lag between excessive monetary growth and the reaction of sterling may be longer when the cause of the excess is private sector rather than government borrowing from the banks. A third reason is the impact on different currencies of increased oil prices, actual and expected—in relative terms sterling is in a favourable position."

### Contrast

"Granted these explanations for sterling's behaviour, domestic credit expansion has recently been very high. It will probably moderate in the coming months, but if it does not sterling looks vulnerable."

In contrast, in another City analysis, brokers Fielding Newson-Smith and Co. conclude that sterling should remain firm throughout this year. Indeed, if the exchange rate were permitted to float freely sterling could well appreciate by between 5 and 7 per cent.

"It is likely that this will be resisted, at least initially, and that as a result interest rates will need to drop to maintain control of the money stock. Since sterling is likely to remain firm and UK yields are still very attractive to foreigners, there is expected to be persistent overseas interest in gilts throughout 1979."

## Sealink trading surplus reaches record £12m

BY LYNTON McLAIN

BOOMING DEMAND for car ferry services boosted the trading surplus of British Rail's Sealink UK subsidiary by a third last year compared with 1977, to a record of £12m.

Almost one million more passengers were carried last year giving a record total of 18m. The number of cars carried also rose to over 2m for the first time, to 2,13m.

The company said, yesterday it is now on course to achieve the financial objective agreed with Mr. William Rodgers, Transport Secretary, in December. Sealink has to achieve a real return of 5 per cent on its fixed assets by 1982.

The full figures for 1978 will be published with the British Rail annual report.

They are expected to show that Sealink UK, which was formed as a wholly-owned limited company of British Rail in January from the BR Board's shipping and harbour assets, had a turnover of £125m last year.

Ferry operations accounted

for almost £120m of the turnover, a rise of £20m compared with 1977.

Last year's £12m trading surplus was before interest but Sealink UK said yesterday that it was not its policy to say what the interest payments amounted to. It is not clear if Sealink UK made a profit after interest.

Sealink has almost concluded its talks with Harland and Wolff, the state-owned Belfast shipyard, for a £14m car ferry for the Fishguard to Rosslare service.

The shipyard is awaiting notification from the Government that the European Commission has approved the use of the Shipbuilding Intervention Fund to subsidise the order.

A formal announcement that Harland and Wolff has won the order is expected next month. The yard is already building three car ferries for Sealink, but the first vessel which was expected to be delivered in June will be three months late entering service on the Stranraer to Larne route.

## Tories accused in insider dealing row

LABOUR MPs reacted angrily during yesterday's committee stage talks on the Companies Bill when the Conservatives opposed the first of the clauses outlawing insider dealing.

"It casts doubt on their (the Conservatives) claim to be in favour of making insider dealing a criminal offence," said Robert MacLennan, Under-Secretary of State for Prices and Consumer Protection.

He found it "frankly

astounding." The basis of the Conservative opposition was "nit-picking" and "nothing less than casuistry."

Mr. Tim Renton (Con., Mid-Sussex), said the Tories were opposed to the clause because the definition of an insider was wrong and the Government had done nothing to ease the position of employees who might want to own shares in their company but who were concerned not to break the law.

He said this was at variance with the Conservative aim of wider share ownership, an aim which had also been supported by the Government in the last Finance Act. He reaffirmed his support for the principle of making insider dealing a criminal offence.

In the course of his reply, Mr. MacLennan said: "Insiders are insiders whether they are employees or directors." He said the Government was in favour of wider share ownership but not of facilitating short term windfalls for employees.

### NOTICE OF REDEMPTION

To the Holders of

## OTIS ELEVATOR INTERNATIONAL CAPITAL CORP.

(now Otis Elevator Company)

8¾% Guaranteed Debentures Due 1985

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Indenture dated as of May 1, 1970 providing for the above Debentures, said Debentures aggregating \$3,000,000 principal amount bearing the following serial numbers have been selected for redemption on May 1, 1979 (\$1,500,000 principal amount through operation of the mandatory Sinking Fund and \$1,500,000 principal amount through operation of the optional Sinking Fund), at the redemption price of 100% of the principal amount thereof, together with interest accrued and unpaid to said date, each in the denomination of \$1,000 bearing serial numbers with the prefix letter "M" as follows:

Outstanding Debentures bearing serial numbers ending in any of the following two digits:

01	02	03	04	05	06	07	08	09	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99
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Also Debentures bearing the following serial numbers:

1	562	1363	2762	3063	4363	6863	7263	8363	9063	11063	12363	13363	14363	15363	16363	17363	18363	19363	20363	21363	22363	23363	24363	25363	26363	27363	28363	29363	30363	31363	32363	33363	34363	35363	36363	37363	38363	39363	40363	41363	42363	43363	44363	45363	46363	47363	48363	49363	50363	51363	52363	53363	54363	55363	56363	57363	58363	59363	60363	61363	62363	63363	64363	65363	66363	67363	68363	69363	70363	71363	72363	73363	74363	75363	76363	77363	78363	79363	80363	81363	82363	83363	84363	85363	86363	87363	88363	89363	90363	91363	92363	93363	94363	95363	96363	97363	98363	99363
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Payment will be made upon presentation and surrender of the above Debentures with coupons due May 1, 1980, and subsequent coupons attached at the main offices of any of the following: Morgan Guaranty Trust Company of New York, 50 West Broadway, New York, New York 10015; Morgan Guaranty Trust Company of New York in Brussels, Frankfurt am Main, London and Paris; Banca Vonwiller & C. S.p.A. in Milan; Bank Mees & Hope NV in Amsterdam; and Kredietbank S.A. Luxembourg in Luxembourg.

On and after May 1, 1979, interest shall cease to accrue on the Debentures selected for redemption.

OTIS ELEVATOR COMPANY

Dated: March 28, 1979

### NOTICE

The following Debentures previously called for redemption have not as yet been presented for payment:

DEBENTURES OF \$1,000 EACH

M-1362	2562	3261	3266	3267	3268	3269	3270	3271	3272	3273	3274	3275	3276	3277	3278	3279	3280	3281	3282	3283	3284	3285	3286	3287	3288	3289	3290	3291	3292	3293	3294	3295	3296	3297	3298	3299	3300	3301	3302	3303	3304	3305	3306	3307	3308	3309	3310	3311	3312	3313	3314	3315	3316	3317	3318	3319	3320	3321	3322	3323	3324	3325	3326	3327	3328	3329	3330	3331	3332	3333	3334	3335	3336	3337	3338	3339	3340	3341	3342	3343	3344	3345	3346	3347	3348	3349	3350	3351	3352	3353	3354	3355	3356	3357	3358	3359	3360	3361	3362	3363	3364	3365	3366	3367	3368	3369	3370	3371	3372	3373	3374	3375	3376	3377	3378	3379	3380	3381	3382	3383	3384	3385	3386	3387	3388	3389	3390	3391	3392	3393	3394	3395	3396	3397	3398	3399	3400	3401	3402	3403	3404	3405	3406	3407	3408	3409	3410	3411	3412	3413	3414	3415	3416	3417	3418	3419	3420	3421	3422	3423	3424	3425	3426	3427	3428	3429	3430	3431	3432	3433	3434	3435	3436	3437	3438	3439	3440	3441	3442	3443	3444	3445	3446	3447	3448	3449	3450	3451	3452	3453	3454	3455	3456	3457	3458	3459	3460	3461	3462	3463	3464	3465	3466	3467	3468	3469	3470	3471	3472	3473	3474	3475	3476	3477	3478	3479	3480	3481	3482	3483	3484	3485	3486	3487	3488	3489	3490	3491	3492	3493	3494	3495	3496	3497	3498	3499	3500	3501	3502	3503	3504	3505	3506	3507	3508	3509	3510	3511	3512	3513	3514	3515	3516	3517	3518	3519	3520	3521	3522	3523	3524	3525	3526	3527	3528	3529	3530	3531	3532	3533	3534	3535	3536	3537	3538	3539	3540	3541	3542	3543	3544	3545	3546	3547	3548	3549	3550	3551	3552	3553	3554	3555	3556	3557	3558	3559	3560	3561	3562	3563	3564	3565	3566	3567	3568	3569	3570	3571	3572	3573	3574	3575	3576	3577	3578	3579	3580	3581	3582	3583	3584	3585	3586	3587	3588	3589	3590	3591	3592	3593	3594	3595	3596	3597	3598	3599	3600	3601	3602	3603	3604	3605	3606	3607	3608	3609	3610	3611	3612	3613	3614	3615	3616	3617	3618	3619	3620	3621	3622	3623	3624	3625	3626	3627	3628	3629	3630	3631	3632	
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Broken about in more

# Servis lans 700,000 witch

Arthur Smith,  
Inds Correspondent

700,000 programme to increase capacity and recruit was announced yesterday by Servis Domestic Appliances, a machine-manufacturing subsidiary of Ikin and Mitchell, the engineering group.

It, which claims a 14 per cent share of the UK market, is to increase its share by exploiting micro-chip technology.

The company claims a market production of fully automatic machines controlled by electronics technology.

One in five of the new machines produced by Servis in the new technology, but adoption is expected to be within the next two years.

Electronically controlled machines, at just over £300, cost more than conventional ones, but the company says the extra cost will be reduced as it is stepped up.

The expansion programme, which will be based at the Wednesbury plant, from the present week to about 7,500 by year. A new building, in which will start next week, will provide space for assembly lines, if necessary.

A new facility will have a research and development unit to continue work on application of micro-chip technology to washing machines, dryers and dishwashers, which suffered along with the UK manufacturers the dramatic fall in the at the end of 1978, is being from the recent market, which led to sales of about machines in 1978, is to hold up this year.

It has recruited 150 in recent months, and to employ another 100 to work force at Wednesbury more than 1,000 by mid-1979.

Henry Wilkins, the group an, said that as the compressed into advanced technology the pressure is upon the technical staff to keep ahead of competition.

# Surcharges and delays worry travel agents

BY ARTHUR SANDLES

THE PROSPECT of high holiday surcharges and another summer of airport delays somewhat dampened the otherwise festive mood of the first day of the Association of British Travel Agents' conference in Blackpool.



MRS. MARGARET HOOK  
"Companies are subsidising customers"

With talk of some tour operators feeling justified in backing out of partial price guarantees, and at least one reprinting its brochure and dropping its guarantee, Mrs. Margaret Hook, president of ABTA, said some companies were subsidising customers by between £3 and £5 per holiday, even after imposing maximum surcharges, thanks to massive increases in jet-fuel prices.

Cosmos Tours, which is imposing a £150 surcharge on its Athens routes, says the fuel-price rise comes under the definition of action by a government agency, in this case OPEC, and this is covered by the small print in its brochure.

"If prices have been increased to us, we have to pass it on," said Mr. Sidney Silver, managing director of Cosmos. "People who gave absolute

guarantees against any price rise must be in trouble."

This is denied by the Travel Club and Inghams, who have not imposed surcharges.

One of Britain's largest charter airlines, Britannia, warned of another summer of airport delays.

"It is an inescapable fact that

weekend delays will be with us for several more years," said Captain Roy McDougall, Britannia's operations director. He said this would be the case, even without industrial problems, because "market forces call for too many departures on the same day — particularly weekends — which produces congestion at the departure points."

"Resort areas can handle traffic only at half the rate the departure countries manage," said Captain McDougall, who called for more liaison between the British travel industry and its counterpart in Europe particularly Germany.

"It often seems that, when a series of flights is planned to a holiday destination, little attention is paid to whether there are flights from other countries to the same destination on the same day," said Captain McDougall.

"I would like to see some sort of clearing-house system introduced, so that tour operators all over Europe would know in advance who was planning what and when."

# SNP plan to control company takeovers

BY RAY PERMAN, SCOTTISH CORRESPONDENT

THE Scottish National Party yesterday called for a Scottish takeover panel to be set up with power to ban acquisitions leading to the loss of jobs or damage to the Scottish economy.

The current bids for Caledonian Holdings, Scottish and Universal Investments, and Algonate Industries showed the need for such a body, said Mr. Gordon Wilson, MP for Dundee East and deputy leader of the 11 SNP members at Westminster.

The proposal for a takeover panel would be an important plank in the SNP platform for the general election.

"Scotland has been plagued for years by constant takeovers of independent Scots businesses by UK and foreign firms," Mr. Wilson said. "Despite the high-sounding promises of expansion which are given at the time,

they are followed in many cases by the inexorable absorption of the Scottish business, the imposition of centralised management and financial control, the rationalising and the trimming of the businesses conducted in Scotland, and the chilling and destructive closures and consequent transfer of remaining orders and machinery to the South."

Small and medium-sized companies individually managed or owned by Scottish people were Scotland's seed corn for the future," he said. "The more of such businesses we have the healthier our economy will be and the better and more rosy the jobs prospects."

"Severe harm has been done to Scotland in the past by takeovers of our companies. Some 30 per cent of Scots firms are controlled from outside Scotland."

# Minister to visit Corby New Town

MR. GUY BARNETT, Parliamentary Under-Secretary of State at the Environment Department, who has specific responsibility for new towns, will visit Corby, Northamptonshire, to-morrow. He will discuss with the local authorities,

the development corporation and the Commission for the New Towns matters relating to Corby, its industrial future and its employment prospects.

# Chairman reports substantial achievement by Northern Rock



Mr. K.A. Clark, T.D., F.R.I.C.S., Chairman

The highest ever level of mortgage lending was reported by Kenneth Clark, Chairman of Northern Rock Building Society, at the Annual General Meeting held on 27th March 1979.

In his address Mr. Clark made the following points:

Record lending in excess of £110 million helped more than 14,000 borrowers to buy or improve their homes. Asset growth of 14.71% was achieved and over £2 million was added to the General Reserve Fund.

Progress was being maintained in 1979. The Society's assets now exceed £500 million. Demand for mortgages was heavy and Northern Rock has responded by introducing a new 4 year term share carrying a 1.50% premium which was already proving popular with investors.

## Northern Rock

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Consult telephone directory for your local branch.

# EQUAL OPPORTUNITIES COMMISSION REPORT

# 'Repeal bars on women's work hours'

BY ALAN PIKE, LABOUR CORRESPONDENT

REPEAL OF legal restrictions on women's working hours is recommended by the Equal Opportunities Commission in a report to Mr. Albert Booth, the Employment Secretary.

The commission concludes, after a 21-year investigation, that legislation restricting the hours and shifts women may work, much of it dating from Victorian times, inhibits equal opportunity and causes discrimination.

"Our most important finding is that the hours of work legislation constitutes a barrier — often an artificial one — to equal pay and job opportunities for women," says the report. "So long as this legislation remains as it is at present women workers will be disadvantaged. Therefore we cannot accept the retention of the legislation, in its present form, because discrimination will continue to arise out of it."

The commission decided it was faced with two main options

— it could call for the repeal of hours-of-work legislation or recommend it be extended to men.

On the balance of evidence it favoured removing the legislation or, where health, safety and welfare demanded it, replacing it with provisions applying equally to men and women.

Repeal, decided the commission, would put women who did not have significant domestic responsibilities on equal employment terms with men. Greater flexibility of working arrangements would be permitted by the repeal of the legislation and this would help those with domestic responsibilities. There was no evidence that protective legislation helped women to obtain jobs but its continued existence was part of the reason why the Sex Discrimination and Equal Pay Acts had not guaranteed equality of pay and status.

The report decided there was

"no evidence conclusively in favour of extending the hours of work legislation as a whole to men" and that absolute restrictions on men's weekly hours of shiftwork would have undesirable economic effects.

Two trade union representatives on the commission — Mrs. Marie Patterson and Mr. Jack Eccles — dissociated themselves from the recommendation that legal restrictions on the employment of women at night or on shiftwork should be abolished, arguing instead for extending the current provisions to men.

In general terms, the legislation which the commission wants removed restricts women's daily hours to nine and weekly hours to 48 with specific requirements for break periods. Except in cases where exemption from the provisions is granted, women must not start work before 7 am or finish after 8 pm and night work is specifically prohibited.

In conjunction with its recommendation that the hours legislation — particularly the provisions relating to nightwork, double day shifts and maximum weekly hours — should be removed, the commission recommends that minimum standards of welfare should be specified under the Health and Safety at Work Act.

It also wants a code of conduct and legal provision for women employees who would be affected by a change in legislation. Equality of treatment between men and women is recommended in areas like meal breaks and rest periods.

The report also recommends the repeal of provisions specifying separate maximum weights which men and women can handle and replacement by new non-discriminatory regulations, equal treatment regardless of sex for young persons and the retention of the provision prohibiting the employment of a

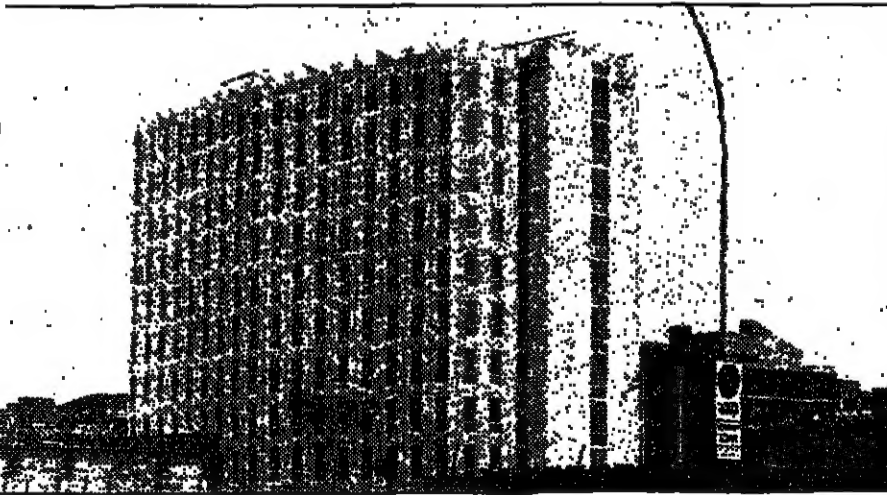
woman in a factory within four weeks of childbirth, although someone wishing to return earlier should be allowed to do so with her doctors' consent. This led to another note of dissent from three trade union representatives who wanted a provision prohibiting the employment of a woman in any form of work within six weeks of childbirth unless a doctor agreed to an earlier return.

The possible removal of provisions requiring separate sanitary and washing facilities for men and women is also recommended, as are the removal of special provisions relating to the employment of women in the pottery, cement, tin plate and spinning industries and the maintenance, at present, of restrictions on employing women as manual workers in mines.

Health and Safety Legislation: Should we distinguish between men and women? — Equal Opportunities Commission.

# ENERGY BLUEPRINT

# low Beagle House built conomy into its design



Beagle House. Saving a lot for four years.

Today the importance of energy management has led to a fresh approach to the design of new buildings. More and more, buildings are being designed that are intended from the outset to provide pleasant working conditions and economise on energy.

Typical of this approach is Beagle House in London. Working together, Town and City Properties Ltd the then owners of the building, George Trollope & Sons who acted as project managers, and the tenant, Overseas Containers Ltd (the present owners of the building), attended all design meetings with the architects, Richard Seifert and Partners.

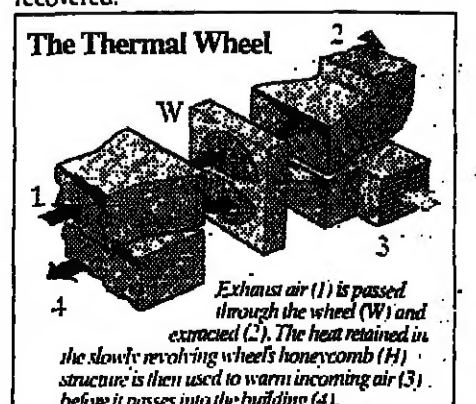
During the design period, they drew on the resources of the Electricity Council's computer facility BEEP — short for Building Energy Estimating Program, which allowed them to estimate at working drawing stage what the energy costs of the building would be. The result is a building with a high standard of thermal insulation, which minimises the effect of outside temperature changes.

The design of the building also takes into account the heat generated by the occupants and lighting, and re-uses this heat, to economise on energy costs.

Most of this heat is recovered and recirculated, but inevitably, as fresh air is introduced into the building, stale air must be rejected. However, thanks to a device called a Thermal Wheel, much of the heat contained in this air can be recovered.

After being extracted from the seven office floors via the light fittings, the air is passed through the slowly-revolving wheel.

In cold weather, heat contained in this air is absorbed by the honeycomb material on one sector of the wheel, and used to warm incoming cold air flowing past the other sector. (See diagram.) In this way, about 75% of the heat in the exhaust air is recovered.



Then, in hot weather, the reverse happens. The wheel is used to reduce the temperature of the incoming air, and this lowers the cost of running the building's air conditioning system.

Beagle House has now been in operation for four years. Overseas Containers Ltd. have been able to make even further energy savings since initial occupation, simply because these were designed into Beagle House before it was built.

For further information tick box No. 2.

For further information tick box No. 1.

# "WideSpread" lighting savings by Marks and Spencer

As part of a continuous programme, Marks and Spencer's lighting experts constantly seek to improve lighting standards, while containing or even reducing costs.

After re-assessing the lighting used in their 253 stores, they concluded that it would be possible to make appreciable cost savings whilst maintaining suitable levels of illumination.

Using the Philips' "WideSpread" fluorescent system, Marks and Spencer have applied their findings to eight stores so far.

The WideSpread open reflectors give a wide distribution of light in a "barving" formation. This provides a high illuminance on hanging displays like rows of dresses, and reduces glare at normal angles of view.

Moreover, the WideSpread luminaires can be spaced further apart, thus enabling fewer units to provide an even illumination.

Marks and Spencer have found that with the system's excellent colour rendering from the Philips colour 84 lamps, and a lighting level of 600 lux or more at an energy usage



Marks and Spencer. Appreciable cost savings.

of only 22 watts per square metre, they are getting the best return for the money they spend with today's lighting technology.

But with 253 stores to consider, they'll be closely watching new developments with an eye to making further savings.

For further information on lighting tick box No. 3.

# C&A set new fashion in saving energy

When C&A Modes and their consultants Ronald Ward and Associates were deciding on a heating and ventilation system for the new C&A store in Manchester's Arndale Centre, they called in the Electricity Council's energy sales team.

The outcome is an energy-saving system that could become the blueprint for other stores in the future.

Using the Electricity Council's computer program BEEP (Building Energy Estimating Program), they evaluated the store's energy requirements. The resulting analysis, based on details of the building and its occupancy throughout the year, led to the largest heat pumps to be installed in a retail store in Great Britain. These are roof-mounted to provide heating and cooling as required, without taking up useful floor space.

They work on the principle, of an ordinary domestic fridge. In summer, when the store is hot and crowded, the pump takes the heat and rejects it into the outside air. Then in winter the direction of the heat flow is reversed and heat is drawn into the store from the cold outside air. This is possible because even on very cold days the outside air still contains some heat.

The beauty of the heat pump is that for every unit of energy used by the compressor motor in the form of electricity, a larger amount of energy can be transferred in the form of a useful output of heat. And the efficiency of the C&A heat pumps is further improved, particularly in very cold weather, by ducting the warm exhaust air over the outside coils of the heat pump.

The C&A installation is clearly an important development in energy saving techniques. So the Electricity Council will be closely monitoring its performance over the next year.

For further information on heat pumps and BEEP tick box No. 4.

# The seaside hotel that saved £24,000



Sackville Hotel. £24,000 up.

The old gas-fired steam-heating system at the Sackville Hotel, Hove, was becoming increasingly noisy, inefficient, and uncomfortable for the guests. It had to go.

But to replace it with a similar plant for the 48-bedroom hotel would have cost £30,000 and involved a good deal of structural alteration.

So the owner decided on individual electric panel heaters with their own thermostat control for each bedroom, linked to master controls in the manager's office.

The heating was installed in just four weeks, with the minimum disruption to the guests. Since every heater is individually controlled, the Sackville Hotel does not waste money by heating unoccupied rooms. And the panel heaters have proved clean, silent, and maintenance-free in operation.

The Sackville's owner is understandably delighted with the electric heating.

At a total cost of just £5,600, he'd saved £24,000.

For further information tick box No. 5.

# Cook-Freeze catering goes to school

idea of a school meals outfit that can produce a range of 220 dishes and still effect savings of 10% or more may take some blowing. But at Leeds Department of Education's Wheatfield cook-freeze unit, already happened.

Developed jointly with Leeds University's food science department, the unit was all set up to produce 2,000 meals daily for schools, previously supplied by out-of-town kitchens.

The principle of the Wheatfield cook-freeze operation is simple, and has proved very cost-effective. All the components of each meal are cooked and frozen in one central unit. Bulk-buying can reduce costs by 10%, and all the food can be frozen at the moment it has been perfectly cooked.

Then, each week, the prepared meals are taken to the schools, cutting out expensive daily deliveries.

At their end, the receiving schools only need re-heating and washing-up facilities. On a daily basis, they rehearse just the number of portions required, so there's no waste. And they can offer an unprecedented variety of dishes, to provide a range of appealing and nutritious meals.

The pilot scheme has proved so successful, and so popular, that Leeds Department of Education has decided to set up a parallel operation, with a capacity for producing 30,000 meals per day.

The Wheatfield unit has not only demonstrated the feasibility of cook-freeze catering. It has also established a table of set weights for each food product, so that all portions have a standard freezing time, and, more importantly, a standard re-heating time.

Because it can deliver a wide choice of dishes with economies in production, cook-freeze can offer benefits to all types of volume catering including staff restaurants.

For further information tick box No. 2.

Comparative costs for 1975/76 and 1976/77 of meals produced at Wheatfield production unit and those produced at all other kitchens in the City:		
	Number of meals produced	Total cost per meal
1975-76		
Wheatfield cook-freeze unit	515,850	2921p
All other kitchens	203,310	3664p
1976-77		
Wheatfield cook-freeze unit	491,400	3668p
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## UK NEWS — PARLIAMENT and POLITICS

## Election fever spreads Optimistic Liberals hope for Edge Hill victory through the Commons

BY JOHN HUNT

MPS WENT down with a strong bout of election fever in the Commons yesterday, before tonight's crucial vote on the Conservative motion of no-confidence in the Government.

The Prime Minister told cheering Labour backbenchers that whatever the "hobgoblins" surrounding the voting tonight, "the truth is that this Government will be returned at any general election that is held at any time."

The Tories scoffed in contempt, as Mr. Callaghan announced that the Bill to compensate slate quarry workers for past diseases has now been prepared.

The Prime Minister—who was clearly in a combative mood—responded with a long defence of the Government's action and a denial that the legislation had been rushed through to buy tonight's Welsh Nationalist votes.

He condemned some sections of the Press for "totally misrepresenting" the Government's motives, and accused some newspapers of being the "lapdogs" of the Opposition in these matters.

Throughout question time, Mr. Callaghan made frequent sallies against current EEC policies, thus confirming suspicions that a strong anti-Common Market theme will run through Labour's general election campaign.

Mrs. Margaret Thatcher, leader of the Opposition, attacked him over current industrial action by the civil service, and wanted to know what he was doing to protect small investors and businessmen from its effects.

For the Scottish Nationalists,

Mr. Gordon Wilson (Dundee E.) angrily charged the Government with "embezzling Scotland" by failing to ensure sufficient industrial investment north of the border.

A pugnacious counter-attack was launched from the Government benches when Mr. Jack Ashley (Lab., Stoke-on-Trent S.) suggested that Mr. Callaghan should tell the

"The truth is that this Government will be returned at any general election at any time"—Mr. Callaghan.

Liberals, the Scottish and Welsh Nationalists and the Ulster Unionists "to go and jump in the North Sea." "This Government will fight on its record and future policies, irrespective of the result of Wednesday night's vote."

Mr. Robert Kilroy-Silk (Lab., Orkney) asked for the Prime Minister's views on reports that EEC Governments had been dragging out talks on food prices in the hope that the Tories would be returned at the general election and would be a "soft touch."

Mr. Callaghan agreed that waste on the Common Agricultural Policy was now beginning to hit people's pockets in other Community countries.

That was why Mr. John Silkin, the Agricultural Minister, was now trying to get a freeze on common prices.

Even in answering the question on the peace settlement between Egypt and Israel, Mr. Callaghan could not resist a side swipe at the EEC.

He welcomed the agreement between Mr. Begin and President Sadat but wished that yesterday's statement from the Community "had been a little warmer about the peace settlement than it is."

Mrs. Thatcher brought the Prime Minister back to the home front with a "practical question."

She reminded him that he had given an assurance that contingency arrangements had been made to ensure that the Government did not default on its financial obligations as a result of the civil servants' strike.

As these arrangements were clearly not working, she wanted to know what fresh measures he proposed to help small businessmen and investors who were being hit.

Mr. Callaghan replied caustically that she had inadvertently misquoted him and that he had never given such a complete assurance. That would be impossible to achieve.

He could not guarantee perfection but hoped that difficulties would be minimised.

"One thing we could do would be to settle the wage claim in full—is that what the Opposition want?" he demanded.

A Conservative backbencher, Mr. Anthony Grant (Harrow Central) wanted to know if Mr. Callaghan would follow the example of his predecessor, Mr. Harold Wilson, and dissolve Parliament the next day if he lost tonight's vote.

Mr. Callaghan retorted loftily: "I have really not engaged my mind on such entirely hypothetical consequences."

BY PHILIP RAWSTORNE

THE LIBERALS may begin at Edge Hill tomorrow to clamber out of their long and disastrous electoral decline. Labour's grip on this Liverpool inner city constituency appears even more tenuous than its fingerhold on Government.

Mr. David Steel, the Liberal leader, entering the by-election campaign for the third time, this week confidently predicted a comfortable victory.

If it comes, it would be a perfectly timed step towards a General Election, raising party morale, restoring its credibility, and heightening its appeal to a wider electorate.

With so much at stake, the Liberals have fought a campaign of unremitting vigour, pouring in reinforcements for an already strongly based local party.

Better—certain for the contest could not have been chosen.

Edge Hill is a jumble of fading Victorian terraces and brash post-war council housing of industrial plants and areas of bulldozed dereliction. Up to 30 per cent of its working population is estimated to be unemployed.

Labour has held the seat for 34 years—but traditional loyalties are being sapped by the enervating air of neglect.

The Liberals have already exploited such conditions throughout Liverpool to become—currently with Conservative support—the controlling party on the city council.

Nowhere in the city have they

established themselves more solidly than Edge Hill.

Mr. David Alton, the Liberal candidate, was in the forefront of the party's local resurgence. He came from London's East End to Liverpool as a student in 1968 and now works there as a teacher.

In 1972, he was elected the city's first Liberal councillor for 30 years. He is now deputy leader of the council and chairman of its housing committee.

Mr. Alton and his party have captured all but one of Edge Hill city council seats, and the Liberals also hold three of the area's four seats on the county council.

The local organisation has 1,500 paid-up members, including former Tory and Labour stalwarts. It is about to open a £70,000 Liberal Club.

Its base is now much stronger than in 1974, when Mr. Alton twice failed by some 6,000 votes to dislodge the Labour MP, the late Sir Arthur Irvine. In the last local elections, the Liberals polled 7,500 votes—more than it achieved in either of the 1974 elections.

Mr. Alton's widow figure now is familiarly from door to door, gathering gratitude—and, he expects, more votes—for seven years of unstinting local service.

He has led local campaigns to save maternity units, schools and an ice-cream; fought against urban motorways and for housing action areas and improved shops; dispensed advice freely

at twice-weekly sessions. "You're the only one we see doing anything," voters tell him repeatedly on the doorsteps—and Mr. Alton earnestly assures them that all he wants now is a chance to find national answers for their problems.

Labour has recognised only too fearfully the dangers of Mr. Alton's infectious enthusiasm and energy.

Mr. Bob Wareing, the chubby left-winger who has been chosen to defend the seat, has become increasingly defensive.

The Liberals are irrelevant, he declares—just another face of Toryism. Then he attacks them with lengthy concern and growing irritation.

Mr. Wareing combats the Liberals' community politics by emphasising his own identity with this electorate. A native Liverpudlian, he has been a member of the city Labour Party for 33 years and active in its fight to protect employment.

Liverpool's problems, he states categorically, will never be solved without a Labour Government. He cites its record of £400m aid to the area's industry and promises to press for more.

Liberals cannot deliver help like that, he says. They would only help Margaret Thatcher to realise her plans for cuts in public spending.

Sensing Liverpool's growing isolation, he attacks the Common Market fiercely.

Part of the EEC's beef

mountain is stored on the edge of the constituency—and there is a deal of sympathy for his claim that "Leningrad housewives do better than Liverpool housewives out of the Common Market."

The £12 a head that Liverpool contributes to the EEC budget could be better spent at home, he declares.

But if Mr. Wareing's accent is attuned to the locality, Labour's general appeal to old loyalties seems to be evoking a less than eager response.

Six thousand people—mainly Labour voters—have been rehoused outside the constituency since 1974. Many more seem disinclined to go to the polls tomorrow. No one expects a turnout much above 50 per cent.

Labour will still be difficult to displace, but the 12 per cent swing needed on paper looks much less formidable on the ground.

In all the calculations, little account is being taken of the Conservatives.

Mr. Nicholas Ward, the Tory candidate, hounces optimistically through the campaign without actually getting anywhere. He has been managing director of a Liverpool-based company for seven years and is still more easily identified with the Cheshire commuter belt.

The Conservatives polled 5,000 votes in October, 1974, but are unlikely to raise that total now.

Mr. Ward searches assiduously for the protest votes he knows

must be there somewhere. But Mrs. Margaret Thatcher, Mr. William Whitelaw, and others who have been to help him have failed signally to attract the Labour disaffected.

The Tory public meetings have been attended by handfuls of people, compared with the Liberals' hundreds.

Quite undaunted, Mr. Ward presses on, lambasting Labour's record. "Enough is enough," he faithfully echoes his leader.

He claims to have detected some sympathy with Tory policies on taxation and law and order. "Some people here," he says by way of ambiguous illustration, "will only talk to you through their letter-boxes."

Edge Hill, in fact, may just have been showing how reluctant it is to open any doors to the Conservatives.

Such misunderstandings have been more common than usual—the man nominated as the Gay Lib candidate thought he was standing for the National Front.

**CANDIDATES**

Robert Wareing (Labour), David Alton (Liberal), Nicholas Ward (Conservative), Mrs. Joan Jonker (Law and Order), Alan Walker (Socialist Unity), William George Books (Public Safety/Democratic Monarchist/White Resident), Michael Taylor (Gay Lib).

October 1974 general election: Sir Arthur Irvine (Lab) 13,023; D. Alton (Lib) 4,882; S. N. Perry (Con) 5,208. Labour majority 8,171.

## PM bans Thatcher-bashing

MAGGIE-BASHING has been ruled out of order by the Prime Minister.

He told a private meeting of junior ministers earlier this week that Labour would fight the election—wherever it came—on its policies and not on either Mrs. Thatcher's personality or her sex.

The meeting, which had been arranged for some weeks, happened to follow a very personal attack on Mrs. Thatcher at the weekend by Mr. William Rodgers, the Transport Secretary.

Some ministers are believed to be concerned that the speech may have been interpreted by some more vocal backbenchers as the start of the open season for Maggie-bashing.

Given Mr. Callaghan's relatively high standing in the opinion polls, Labour would be more than happy if the election turned into a presidential style run-off between the two leaders.

But Mr. Callaghan has always been careful in his speeches not to get involved in dogfights with Mrs. Thatcher.

The feeling is that it would not help his image as an elder statesman who is above cheap party point scoring if he was to launch personal attacks.

Other ministers feel, however, that Mrs. Thatcher's personality could be the best card in Labour's pack and that everything should be done to present her as a threat to democracy.

## Pragmatic poll approach likely if Callaghan loses vote

BY ELINOR GOODMAN, LOBBY STAFF

IF THE Government loses the vote of confidence tonight, Parliament will be plunged into largely uncharted waters, where, as so often happens in Westminster, convention and pragmatism are the guiding principles rather than any hard-and-fast rules.

Neither Erskine May, the Bible of Parliamentary procedure, nor the Parliamentary record for 1824, when Ramsey MacDonald was the last Prime Minister to be defeated in a vote of confidence, offer any precise advice.

Exactly what happens next will be dictated by a combination of the Prime Minister's own judgment and the result of informal discussions between the parties about what would be mutually acceptable.

The action will, therefore, switch from the Chamber and to the whips' offices, where the parties' business managers are, in the normal course of events, in almost continuous contact about how best to organise the day's business.

All the Parliamentary experts agree that there is nothing to force Mr. Callaghan into announcing an election immediately, or even within the next few days.

He could, in theory, hold on until June, but the Conservatives would obviously fight this tooth and nail, and it does not seem a real possibility.

What looks more likely is that the Prime Minister would, in the event of losing the vote,

acknowledge immediately after the vote that his Government had been defeated, and announce his intention of discussing the matter in Cabinet on Thursday.

He would then hold his normal Cabinet meeting in the morning, and probably go to see the Queen in the afternoon and ask her to dissolve Parliament at a later date.

The Conservatives would prefer an election as soon as possible and are likely to remind Mr. Callaghan repeatedly of the slacidity with which Mr. MacDonald went to the King in 1924.

In the opinion of Mr. Norman St. John Stevas, the Shadow Leader of the House and an acknowledged expert on the constitution, the Government would have no constitutional standing if it lost a vote of confidence.

Therefore, the Prime Minister would have a duty to announce the earliest possible election date.

Nevertheless, the Conservatives acknowledge that Parliament will have to sit a few more days before it is dissolved and the campaign begins.

Feelers will be put out shortly to see whether there are any prospects of legislation—the Forestry Bill, for example—which are now emerging from their committee stage and which could be rushed through their final stages by mutual consent before the House is dissolved.

Technically, it might be possible to get all this done by

Friday. What else would have to be done would depend on the date of the election.

If it was held on April 28, there would be no need for the parties to agree on the contents of a "care and maintenance" Finance Bill to allow the collection of taxes after the powers expire on May 5.

But if the poll was held any later, one day might have to be set aside for getting the approval of the House for such a measure.

Again, if the election was held on May 3, special orders would have to be laid before Parliament, clearing the way for a general election to be held on the same day as the local ones.

At the moment, the signs are that the parties will be able to agree much of this fairly amicably, though the Tories may protest if Mr. Callaghan tries to postpone the election until after the middle of May.

Tory backbenchers are also likely to protest vociferously if the Government tries to stay in office after having "survived" tonight's vote on a technicality.

Nevertheless, procedural experts agree that a tied vote would mean that the House of Commons would have to be dissolved and that the Government would have to call a general election.

The Speaker would have to cast his vote to give the House the opportunity to discuss the matter again. And to vote again, Parliament must be sitting.

## Defence benefits outlined

BRITISH industry will benefit to the tune of orders worth more than £3,000m from the defence budget, MPs heard yesterday.

Opening the second day of debate on the Defence Estimates White Paper, Patrick Duffy, Defence Under-Secretary, said nearly £3,500m, around 40 per cent of the defence budget, would be devoted this year to the development or procurement of equipment of Britain's armed forces.

He added that 90 per cent of the contracts contained in the £3,500m figure would be going to UK industry or to collaborative projects involving the UK.

To match the progress made by the Warsaw Pact in the quality and quantity of its weapons, and to keep abreast of advances in technology, we needed to apply considerable resources to development.

One major example of Ministry of Defence research and development was the work now under way on the replacement of the Chief of Staff tank—the MBT 80.

Mr. Duffy said a special MBT 80 executive had been set up in the Ministry to advance the tank project.

Great effort was also being devoted to developing new solid-fuel rockets mounted on ships or deployed from aircraft to detect, opposing forces or weapons.

## Attack on Press condemned

A GROUP of Conservative MPs, angry at the Prime Minister's "bitter attack" on the Press in Commons exchanges yesterday—submitted a tough motion hitting back fiercely at Mr. Callaghan.

This expressed the view that "the Press can usually smell a rat when there is one about."

The motion gathered early signatures from Conservative backbenchers but some who were invited to sign it refused to do so because they objected to the use of the word "rat."

Mr. Callaghan launched his broadside against the Press over the introduction of the Bill to compensate Welsh slate quarrymen and others hit by dust diseases.

The Prime Minister hotly denied that he was "buying" Welsh Nationalist votes for today's no-confidence debate—by promising this measure now.

Before tracing the long history of the Bill, Mr. Callaghan said he wanted to "get the truth on the record" in view of "the complete failure of the Press to report the facts they have been given day after day."

Mr. Robert Adley (C., Christchurch and Lymington), principal sponsor of the motion, said: "From the man who gerrymandered the constituency boundaries as Home Secretary, to the man who devalued the pound when he said he would not, to the man who invented political wheeler-dealing with the Lib. Lab. pact, comes this latest outburst of righteous indignation—that the appearance of this matter 24 hours before a crucial vote is a pure coincidence."

He added: "We all remember Sir Harold Wilson's outburst at the last election about cohorts of distinguished journalists. No one will, therefore, be surprised to learn the level at which the Prime Minister intends to fight the next election."

**Sacking anger**

TREATMENT of a Leeds man sacked by his union for "blacklegging" 14 years ago was described as "intolerable" by Harold Walker, Employment Minister.

He said the case of Mr. Joseph Thompson, a member of the National Union of Dyers, Bleachers and Textile Workers, illustrated the "wisdom of the machinery that has been set up to deal with such cases," he said. Mr. Walker was pressed by Tory MPs to look into similar cases.

**Permit refused**

YUGOSLAVIAN footballer Mojs Radonjic was refused a work permit to play for Sheffield Wednesday because the Employment did not regard him as a player of "international reputation."

Basselaw MP Joe Ashton was told in the Commons.

Mr. John Grant, Employment Under-Secretary, told Mr. Joe Ashton (Lab., Basselaw): "Permits are only issued for players of established international reputation who have a distinctive contribution to make to the national game."

**Today in Parliament**

COMMONS: Debate and vote on Conservative motion of no confidence in the Government.

LORDS: Debate on ACARD report on industrial innovation. Licensed Premises (Exclusion of Certain Persons) Bill, report.

SELECT COMMITTEES: Public Accounts Committee. Subject: Appropriation accounts. Witnesses: Northern Ireland Departments. Room 16, 4 pm. Expenditure, social services and employment sub-committee. Subject: Perinatal and neonatal mortality. Witnesses: Prof.

## Left and right unite against tax amnesty

BY IVOR OWEN

IN A RARE political alliance, Labour left-wingers teamed up with Mr. Nicholas Ridley (C., Cirencester and Tewkesbury) in the Commons yesterday to condemn the tax amnesty granted to casual workers in Fleet Street.

They are joint sponsors of a Private Members' Bill, given a formal first reading, which seeks to limit to individual cases the discretion of the Inland Revenue and Customs and Excise to reduce or forego payments of tax.

The Inland Revenue (Discretion) Bill, which has no chance of becoming law, will also embody a requirement that discretion in favour of classes or groups of taxpayers shall be exercised only by an order subject to approval by the House of Commons.

In successfully seeking leave to introduce the Bill, Mr. Ridley maintained that one of the most disturbing features of the amnesty was that it was literally negotiated by the Inland Revenue with the trade unions concerned.

While Ministers had been consulted, Sir William Pitt, chairman of the Board of Inland Revenue, had admitted that the decision to grant the amnesty was his and his alone.

A letter sent out by the print union SOGAT to its members, stated that the amnesty, which extended to April 5, 1977, covered not just casual earnings but errors in failing to declare "minor sources of income," such as savings interest.

Mr. Ridley said the letter also stated: "What we are saying is that, if there is general acceptance of the new procedures and he (the union member) co-operates fully with the Inland Revenue, we (the union) will release him from most of the liabilities which the Revenue could demand."

In these circumstances, it was no wonder that feeling was running high among other taxpayers over the "Fleet Street tax evasion scandal."

Mr. Ridley claimed that evidence had been available for

some years about the use by Fleet Street casuals of fictitious names—such as Mickey Mouse.

Other taxpayers, particularly small businessmen who had been ruthlessly pursued by the Revenue, wanted to know how the amnesty could be justified.

Mr. Ridley contended that the Bill, by making the exercise of discretion by the Revenue in favour of classes or groups of taxpayers subject to Commons approval, would enable MPs to make sure that there was equity of treatment between all citizens.

The Labour MPs named by Mr. Ridley as sponsors of the Bill included Mr. Jeff Rooker (Birmingham, Perry Barr), Mr. Doug Hoyle (Newcastle and Colne) and Mr. Bruce Gosselt (Litchfield and Tamworth).

Mr. Albert Booth, the Employment Secretary, told the Commons yesterday that he expected to see "The Times" in publication "very shortly."

He added that in the case of The Times, casual working practices were only one of a great many difficulties.

This advertisement has been placed by London & Midland Industrials Limited whose Directors have taken all reasonable care to ensure that the facts stated and the opinions expressed in this advertisement are fair and accurate, and who jointly and severally accept responsibility accordingly.

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## DUFAY BITUMASTIC LTD.

GROUP PRELIMINARY STATEMENT  
for the year ended 31st December, 1978

The Board of DUFAY BITUMASTIC LIMITED announces the following audited results of the Group for the year ended 31st December 1978.

	1978	1977
Sales	£700	£700
	10,214	9,814
Trading Profit	1,008	752
Interest paid	143	157
Profit before taxation	865	595
Taxation	332	194
Profit after taxation	533	401
Extraordinary items	45	—
Profit attributable to shareholders	578	401
Dividends		
Additional for 1977	(0.012484p)	1
Interim paid	0.587500p (0.583333p)	65
Final proposed	1.757494p (0.824583p)	91
	2.345p	1.42041p
Profit retained	261	156
	315	245
Earnings per share based on profit after taxation shown above	4.8p	3.6p
Earnings per share including extraordinary items	5.2p	3.6p

The comparative figures for 1977 have been restated to reflect the adoption of S.S.A.P. 12 and S.S.A.P. 15.

The net asset value at 31st December 1978 was 48p per share.

The pre-tax profit for 1978 was 47.5% higher than that for 1977. The pre-tax profit for the second half of 1978 of £488,000 (first half £375,000) was 70% greater than for the corresponding period last year.

The Board recommends a final dividend of 1.757494p per share making a total for 1978 of 2.345p (1.42041p for 1977). Agreement has been obtained from H.M. Treasury for the payment of the proposed increase in dividend. If approved the final dividend will be paid on 18th May 1979 to members on the register on 23rd April 1979.

As indicated in the circular to shareholders on 3rd February 1979 the return for 1978 has proved to be better than was anticipated at the time of the rights issue of Convertible Loan Stock in September 1978.

In the Annual Report the Chairman states that "the increase in profitability for the year of 47.5% was achieved by improved results from all divisions although, as predicted at this time last year, 1978 results did not enjoy any stimulus from demand for pipeline enamel. Sales of pipeline enamel for 1979 have started well and enquiries in hand are at a record level. This speciality product should increase its contribution to the overall profitability of the Group."



## Workers se o-strike' ise

INDUSTRIAL tribunal ruled that 120 employees refused to sign a "no-strike" agreement are not to receive about 10 in redundancy pay their employers, and the

Norman Hall, the managing director of Hall's Dries and Sundaw Products, both of Oldbury, West Midlands, had demanded that should be no more than six months or else could have to close the units.

He failed to get an advance of his ultimatum and the two companies into liquidation.

Industrial tribunal at Nham has ruled that timatum contained nothing harsh or unreasonable the workforce could not accept it.

One of the workforce, a by the Transport and al Workers' Union, d the closures meant were entitled to redundancy pay totalling about 0 for them alone.

The tribunal's chairman, lehard Smith, giving the m after a four-day heard them that only the rkers who were off sick n 20 last year when voted to reject the ult- could qualify for ancy money totalling

rest, he said, were d- the moment they to accept Mr. Hall's tum and were sacked had reason. He said: e was no redundancy on at that time, the book was full. A redun- situation followed later, not the reason for the

added: "It might be it that we are opening ay for an employer to a coach and horses h the Redundancy Pay- Act by ensuring that he workers some sort of tum which he knows vll not accept. But that this case at all.

such a case, no doubt, law, would protect s faced with harsh and unable conditions and do so through the path structive dismissal."

r the hearing, Mr. n Hall and his brother e, who ran the com- jointly, said the n to close had cost around £500,000—the red difference between tion now and they had

d. tribunal was given a history starting in 1974 he company recognised 'GWU and including for threshold pay, pay, equal pay for and finally pay parity n different sections of rks.

Terry Askey, union appearing for the nts, said after the hear- The workers could not ed a condition that they not strike or ask for pay for another six s. Some were getting per week, but others getting wages so low me man qualified for income supplement."

I workers' rtinue action er manning ur Labour Staff

as meeting of process s at ICI's fibre plant in e decided yesterday to e their stand against a ment plan to increase cy in their unofficial d- ick has stopped all pro- for a week.

1,400 workers, mainly rs of the Transport and l Workers Union, were one after failing to co- with management tions on a manning ment designed to in- productivity by 20 per

## Budget work barred

BY PHILIP BASSETT, LABOUR STAFF

TAX OFFICIALS were yesterday told to ban all work on next week's Budget in protest at the Government's 7 per cent pay offer to 800,000 civil servants.

The action, by members of the Inland Revenue Staff Federation, could have a serious effect on the implementation of the Budget, even though it is likely to make fewer taxation changes than Budgets in recent years.

Even if the Government is de- fended in tonight's vote of confidence, a change in personal tax coding due to be announced next week could still be hit. The Government will consider contingency plans to implement any changes.

The executive of the Federa- tion told its 64,000 members to ban all overtime, all travel in their own time and the use of their own or official private cars in addition to refusing all Budget work.

The executive also authorised

its members to join the one-day strike over pay on Monday. Tax officials in London and the South East will also stop work for half a day on Budget afternoon and stage a rally in London.

The union will also organise strikes aimed at impeding Government business and in particular the flow of taxes to the Exchequer.

### Negotiate

Civil servants, members of the Civil and Public Services Association and the Society of Civil and Public Servants, yesterday closed down two Inland Revenue computers at Worthing which will prevent final adjustments to the financial projections for the Budget being made there.

A total of about 460,000 civil servants have now been called on or given authority to take

part in Monday's one-day strike, and the executive of the Civil Service Union is likely today to authorise its 47,000 members to join the stoppage.

Mr. Roy Hattersley, Prices Secretary, yesterday repeated the Government's readiness to re-open negotiations. The Government is prepared to increase its offer of 7 per cent on April 1 and the rest of the agreed rises due from the findings of the Independent Pay Research Unit comparability studies next year. The unions estimate the full rises due to average 26.36 per cent.

Mr. Bill Kendall, secretary-general of the Civil Service National Staff side, said after a meeting of all Civil Service Union general secretaries that there was no basis for further negotiation and that "massive confrontation on a scale previously unknown in the Civil Service is now looming."

## Post hit by pay scrutiny

By Christian Tyler, Labour Editor

CLOSE GOVERNMENT scrutiny of the Post Office's pay proposals emerged yesterday as a principal reason for the delay that has prompted unofficial industrial action and a growing backlog of postal deliveries in London region.

In order to keep pay rises for 200,000 postal and telephone workers within the ad hoc wage controls, Government officials are asking the Post Office for more details of its undisclosed plans.

Both the Post Office and the Union of Post Office Workers said yesterday that negotiations were continuing, and the union expects to report to its executive on Thursday.

But no formal pay offer has been made, nor, it seems, have negotiations begun. It is now nearly three months since the postmen's January 1 pay anniversary.

A meeting at the Department of Industry had to be cancelled yesterday because of pressure of time on the Government, but is expected within a few days.

Meanwhile, the Post Office again asked the public not to post mail in, or destined for, London and the Home Counties unless absolutely essential. About 8 million letters and parcels are delayed and normal daily traffic in London is 10 million.

Postmen in some parts of the capital are banning overtime or holding meetings in working hours in protest at the delay.

The Post Office is apparently seeking an acceptable productivity-linked pay rise that would pass Government scrutiny and satisfy the union, which has submitted a 24.4 per cent claim and a demand for a shorter working week.

## Building industry offer likely to be rejected

BY NICK GARNETT, LABOUR STAFF

EMPLOYERS in the building and civil engineering industry yesterday made a pay offer to 700,000 workers which includes 9 per cent more in guaranteed minimum earnings.

Some employers' estimates suggested that the offer might add between 11 and 13 per cent to the wages bill, but the unions say it is probably worth 10 per cent or slightly less.

The four unions on the building and civil engineering joint board did not formally reject it yesterday, but they intend to do so at the next negotiating session scheduled for April 12. The settlement is due in June.

Mr. Les Wood, general secretary of the Union of Construction, Allied Trades and Technicians and secretary of the operatives' side, said he did not think his members could accept the package, which contained some disappointing elements.

The employers are undoubtedly prepared to make improvements, however, and some officials of UCATT, the largest of the construction unions, regard the offer as close to what might be acceptable.

But it would widen the dif-

ferential in guaranteed minimum earnings between crafts- men and labourers, a point largely unacceptable to the joint union side and particularly to the Transport and General Workers' Union.

Mr. George Henderson, the Transport Workers' national construction secretary, said negotiations might prove extremely difficult.

The unions' claim included more than 20 per cent in new money, full consolidation of supplements, and a 35-hour week.

The offer would raise the basic rate for craft workers from £44 to £50 and for general workers from £37.60 to £42. It would increase the guaranteed minimum bonus for craftsmen from £6 to £7 and for general workers from £5.40 to £6, and reduce the joint board supplement from £10.20 to £9 for craftsmen and from £9 to £8 for general workers. Part of the supplement has been consolidated.

Guaranteed minimum earnings for craftsmen would rise from £60.20 to £66 (9.8 per cent) and for general workers from £52 to £56 (7.6 per cent).

Holiday and overtime pay would be improved in return for measures to reduce absenteeism, which the unions describe as "penalty clauses," and a 20 per cent rise in sick pay.

The employers were not prepared to concede a shorter working week, however, and there is little extra consolidation of pay, an important part of the unions' aim to have wages restructured.

Employers said that the removal of formal Government controls did not mean that big pay rises could be given without damage to the construction industry.

## Secret ballot likely in National Theatre dispute

BY PAULINE CLARK, LABOUR STAFF

A SECRET ballot of members of the National Association of Television, Theatrical and Film employees at London's National Theatre is expected to be held today to decide whether an 11-day-old dispute over stage-hands' pay should be made official.

Both sides in the dispute appeared more deeply entrenched yesterday as management decided to go ahead with a schedule of performances designed to keep the three theatres open for the remainder of the week.

Productions described by management as "low-price, limited-decor dramas" will continue despite a union executive decision earlier this week to condemn as "provocative" the staging of Galsworthy's "Strife" without a set.

Dramas will be staged until the weekend under the new

plans either without a set or against the background of sets for previous plays. One restoration comedy is planned against a 1930's Somerset Maugham background.

When the dispute—which completely closed the theatre last week—began, the union was not supporting action by the 28 stage-hands involved. Since then, however, the union has criticised management for not giving sufficient co-operation.

The stage-hands are said by management to have set themselves apart from other employees at the National in refusing to accept a 5 per cent pay deal with productivity. Management claims it cannot improve on the offer because the Arts Council has stood firm on not exceeding Government guidelines.

The stage-hands' earnings are estimated at £135 for a 63-hour week.

## TUC plea on transport

BY OUR LABOUR STAFF

A PLAN to boost public transport, including greater concessions for pensioners and safeguards for country bus services, has been submitted by the TUC to Mr. William Rodgers, Transport Secretary.

The policy document has been published as the Department of Transport and British Rail prepare to discuss a BR scheme to cut 700 miles off its passenger network to save money.

The document, drawn up by the TUC's transport industries committee, calls for greater priority in public spending on capital projects for passenger transport services, stability in the cost of travelling to and from work, and concessionary fares for all old-age pensioners and the disabled.

The future of socially essential bus networks, especially in rural areas, must be safeguarded, it says.

The TUC complains that public passenger transport is declining. It blames such causes as "unfair competition" from privately owned transport, an unsatisfactory legislative framework, and inadequate finance.

## Journalists' leader fined

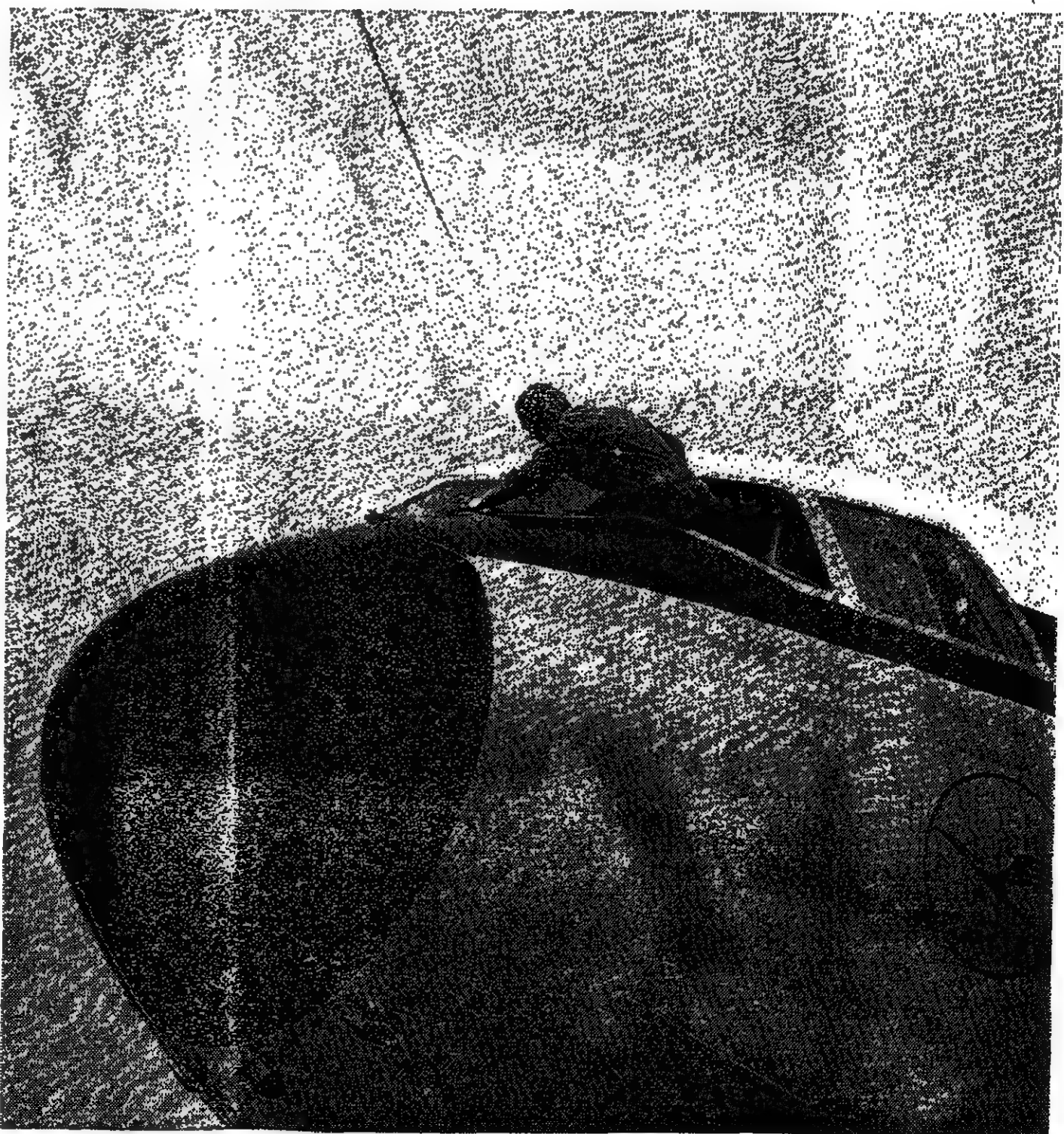
THE VICE-PRESIDENT of the National Union of Journalists, Mr. Jacob Ecclestone, was fined a total of £250—the maximum—and ordered to pay £50 costs by Nottingham magistrates yesterday on two charges of obstruction following a mass picket at the Nottingham Evening Post, where 27 journalists were sacked for joining in the national strike of provincial journalists.

## Pottery trade pay deal

AGREEMENT HAS been reached in principle on a pay deal for 50,000 pottery workers in Stoke-on-Trent, Mr. Les Sillitoe, chairman of the Ceramic and Allied Trades Union, said yesterday. A meeting with employers would be held tomorrow to finalise details, which would not be disclosed until the deal had been approved by the union's national executive.

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## HOW THE MINERS VOTED

	Yes	No
ire	27,176 (53.5%)	19,277 (41.5%)
gham	18,004 (69.5%)	7,863 (30.5%)
Wales	14,890 (71.4%)	5,977 (28.6%)
s and staff	14,015 (92.3%)	1,178 (7.7%)
n	8,933 (69.1%)	4,003 (30.9%)
h	3,948 (33.4%)	7,890 (66.6%)
ds	8,378 (77.3%)	2,467 (22.7%)
hire	5,805 (66.2%)	2,965 (33.8%)
West	4,503 (67.9%)	2,127 (32.1%)
umberland	4,115 (67.9%)	1,946 (32.1%)
n Mechanics	4,039 (79.9%)	1,016 (20.1%)
en	3,665 (69.7%)	420 (8.3%)
h Engine	1,576 (40.6%)	2,367 (60.4%)
Group	3,316 (86.2%)	532 (13.8%)
Derbyshire	1,828 (67.5%)	877 (32.5%)
ershire	2,074 (79.4%)	532 (20.6%)
	1,045 (50.6%)	1,021 (49.4%)
umberland Mech.	1,454 (75.4%)	474 (24.6%)
Wales	731 (79.1%)	193 (20.9%)
inland	586 (77.5%)	170 (22.5%)
n Englemen	675 (92.3%)	56 (7.7%)
Gp. No. 2	555 (87.7%)	78 (12.3%)
	131,316 (67.4%)	63,431 (32.6%)



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# Test us.



# Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

## TEXTILES

### Updating the loom

SINCE THE second world war there has been a continuing trend among the weavers of the world to purchase looms that operate without shuttles.

Advantages of the shuttleless loom are that it eliminates pirn winding, which is a tiny package of yarn carried to and fro in the shuttle, and weaves instead from packages at the side of the loom.

This is a very effective cost-saving in fabric production. A wide variety of different systems of weaving from large packages have been developed and are commercial. These systems include the air and water jet systems of weaving in which the yarn is carried across the fabric by a fluid jet, while the rigid and flexible rapier systems use a more positive system of yarn traversing.

A new system of conversion from shuttle to telescopic rapier has been developed in Italy by Off. Galileo (British agent Geoffrey E. Macpherson, Nottingham NG2 6AD. Tel.: 0602 888701). The system has already been used with success to convert the internationally

known Draper looms models XD and X3 and it is reported that increases in both production and efficiency have been achieved after conversion. In fact speeds have risen to 230 p.p.m., while production has risen by 30 per cent.

By replacing the clatter of the shuttle and replacing it with the "swish" of the rapier it has been possible to lower noise levels in the weaving shed to 90 db (A).

The rapiers in the conversion kit are self-lubricating and may have been manufactured from a carbon fibre composite which means that they are extremely rigid and of light weight. Once converted, the loom is provided with electronic controls and solid-state circuitry which means plug-in modules. A four-function switch-box arrangement provides for forward and reverse shogging, running and stopping. There is no change in the warp let-off or fabric take-up systems and the only superficial change in the converted loom is that it is widened by some 31 inches.

## PRINTING

### Labels will cost less

THE PRICE which industry pays for metal labels and nameplates can be substantially reduced by a new photographic process for printing on metal, according to its first commercial users.

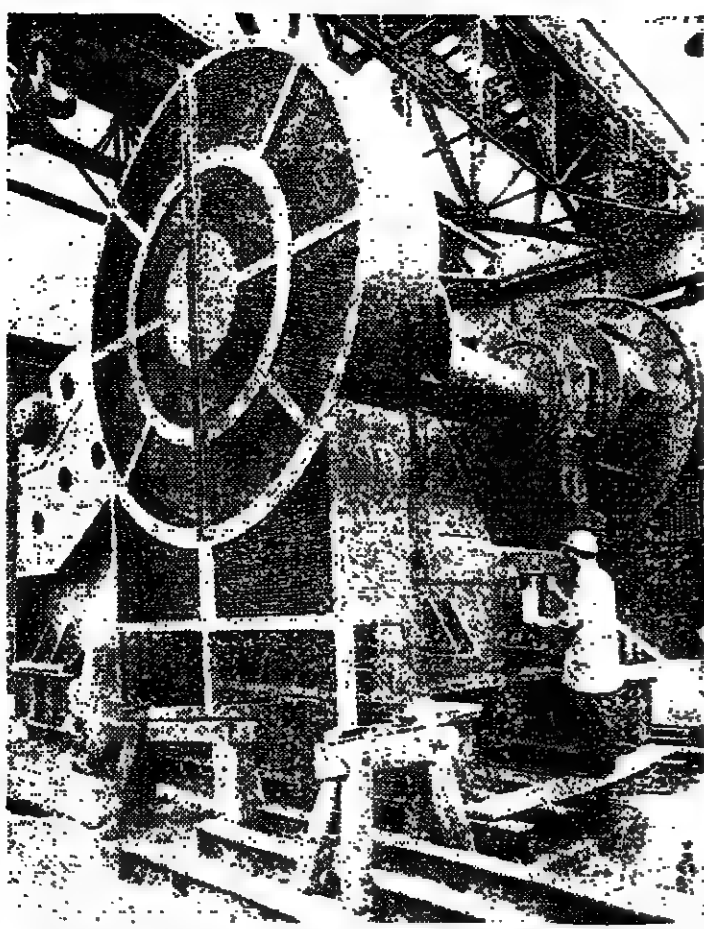
Involving the use of light-sensitive coating on anodised aluminium plate, it produces better quality printing at lower cost than existing methods, according to Castleham Industries of St. Leonards, East Sussex.

It is suitable for almost any printed metalwork for indoor use, including manufacturers' facts and data labels, name-

plates and door signs. Because printing is done from a low-cost photographic negative rather than the screen required in conventional screen printing, the method is particularly economic for one-offs and small batches, though worthwhile savings can be achieved on long runs.

Better reproduction is given of detail on line drawings and the full range of tones for printing of photographs is provided.

Castleham Industries, Collett Close, S. Leonards-on-Sea, East Sussex TN38 9QS. Hastings 536228 (STD 0424).



This big machine is being built by Fried. Krupp of Essen for the Benguerir phosphate mine operated in Rabat, Morocco, by Office Cherien des Phosphates (OCP). It will be used to crush limestone and other materials in sizes up to 2,000 by 1,000 by 500 mm and weighing up to 5 tonnes and will handle 800 tonnes an hour. The crusher itself weighs 162 tonnes and will be powered by two 110 kW motors.

## INSTRUMENTS

### Small but powerful laser

RANGE finding is one of a number of uses for a Ferranti-developed sealed TEA (transversely excited atmospheric pressure) pulsed carbon dioxide laser transmitter.

Type 620 laser has a 300-kW output at 10.6 microns with a pulse width of 60 nanoseconds. The raw output beam divergence is 3.5 milliradians and it can be operated up to at least 2 Hz. It has an endurance of a million shots between refills and is normally provided with

integral power supply electronics.

Ease of transmitter re-aligning is a specific design aspect, particularly useful if extensive laboratory or test utilisation is envisaged.

Together with power supply electronics, it measures 240 mm x 150 mm x 150 mm and weighs approximately 3.5 kg.

Further from Ferranti. Electronic Systems Department, Ferry Road, Edinburgh EH5 2XS. Tel: 061 332 2411.

## PROCESSING

### High technology extrusion unit

ACCUSATIONS that Britain's mechanical engineering industries are too slow in making use of modern technology can hardly be levelled at Edwards of Enfield which has just developed an aluminium extrusion puller making use of both a linear motor and a microcomputer.

The company has also just opened 15,000 square feet of test facilities in Enfield at a cost of £250,000.

The Edwards plant gets over the problem of gently but firmly pulling the extrusion—rod, bar, tube or complex section from the die at extrusion speed by using a carriage, complete with a linear motor, driven by a circular saw, and moving parallel to the run-out table. The carriage can be very rapidly returned to the press ready for the next billet to be extruded, certainly well within the "dead" part of the cycle in which the new billet is loaded.

Retractable jaws on the carriage incorporate a row of gripping fingers that can secure one or more extrusions of varying cross section and the company claims it is even possible to accommodate slightly different extrusion rates from a multi-orifice die.

Microprocessor control in the latest machine means that it can be programmed to perform operations at the right time or place, eliminating proximity switches and relay controls. Electronic memory remembers where the carriage is, and has been, simplifying its despatch to further locations.

Edwards has not, however, embarked on a microcomputer development programme, selecting instead the Texas Instruments 571 program control system, supplied virtually off the shelf and incurring minimum development cost.

Texas is believed to be about to launch an up-dated version of this system, likely to make

micro-control of processes and machines even simpler to install.

Operations are controlled from a console and can be carried out manually (step by step), or automatically. One of the automatic modes ties saw operation in with the puller so that either the selected extrusion length (set on thumb-wheels) or an "end of billet" signal from the press recalls the carriage and starts the sawing cycle. Alternatively a programmed sawing cycle can be initiated independently.

A panel-selected number of billets can be run, one welding itself to the next in the die mouth, the end saw automatically cutting out the weld mark on the extrusion.

With minimised loss in both press and on the run-out table, Edwards claims that yield rates up to 87 per cent are possible, at the highest production rates currently available and at high product quality and finish.

GEORGE CHARLISH

## IN THE OFFICE

### Processor is simple to use

TES 401 is an electronic typewriter that incorporates facilities to store (either via memory bank or magnetic disc) prepared projects that may be filed for future use and/or run an unlimited number of times.

Multiple copies of original letters each with a different address; multiple copies of specific typed projects; standard typed projects that will be used (or slightly revised) over a long period are suitable jobs which the TES 401 will print at a speed of 350 words per minute. Inclusion of a daisy wheel printer allows a choice of either

pica, elite, or proportional type styles. The memory bank can hold the equivalent of 7500 characters enabling run of single, one-use only projects. However, should the project need to be stored either for future use or to be later updated, altered or edited, it may be transferred to a magnetic minidisc to be stored indefinitely or erased for subsequent re-programming.

Operated via a keyboard identical to that of a normal typewriter, the TES 401 has, in addition, a small console set to the left of the keyboard that

allows for the programming, storing and printing of entered data.

Operational simplicity is extended to the plasma display which has keys for scrolling characters forwards or backwards for cancelling, replacing or inserting further material into the display and working memory. This also acts as a visual record of entered materials.

Further information from British Olivetti, which is launching through a dealer network, at 30 Berkeley Square, London W1. 01-629 8807.

## ELECTRONICS

### Counters have many roles

MADE BY Intersil, a family of single chip integrated circuit universal counters from Rapid Recall (6, Soto Mills Industrial Park, Woburn Green, Bourne End, Bucks. MK285 24961) can provide a wide variety of

counter or frequency measurement functions and can directly drive common anode or common cathode eight digit LED displays.

Built into the chip, designated ICM 7218, are a high frequency oscillator, a decade timebase counter, an eight-decade data counter with latches, and eight digit drivers. Peak segment outputs for the displays of up to 25 mA can be produced. These devices can be connected so as to function as frequency, period, frequency ratio, time interval, or totalling counters, using either a 10 MHz or 1 MHz crystal, although an external timebase input is also provided. For period and time interval measurement, the 10 MHz arrangement gives a resolution of 0.1 microsecond. All the devices have internally generated multiplex firing with inter-digit blanking, leading zero blanking and overflow indication.

Packages are 28 pin ceramic or plastic dual in line, functioning from a single five volt supply over a temperature range of -20 to +70 deg. C.

## MATERIALS

### Protection from corrosion

MAIN LIFT fans and propellers of Hoverlloyd hovercraft are constantly exposed to the problems of abrasion and corrosion caused by sand and sea water, particularly when a craft traverses the Goodwin Sands for the Ramsgate to Calais crossing.

Severe wear to these parts of the hovercraft has now been counteracted by coating them with Isthane 155, an elastomeric polyurethane which cures to an extremely tough, flexible surface, says Isthane International, 30, Worthing Road, Horsham, Sussex, RH12 1SL.

Important characteristics of the coating is that it is spray-applied and cures at ambient temperature, and when cured its surface possesses a low coefficient of friction with excellent abrasion- and hydrolysis resistance.

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## COMPUTING

### Big machine goes live

FIRST commercial organisation in Europe to employ the services of the Cray 1—the world's most powerful computer—is the London office of international consultant engineers, Electrowatt Engineering Services.

It is pioneering a service which started when United Computing Systems of Kansas City opened up its Cray 1 system to provide direct time-sharing access to clients throughout North America and Europe via its own network.

All other Cray systems currently in operation are employed by government agencies for applications in nuclear research, geophysical research, seismic analysis, aircraft design, and weather forecasting. With a memory of 1m words and a number-handling capacity of 80m floating point calculations per second, it can cut by a factor of five "big problem" processing times—or provide five times the problem-solving power currently available.

Electrowatt is based in Zurich and has offices throughout the world, fielding a team of over 1,000 consultant engineers working on projects as wide-ranging as power stations, irrigation schemes, public transport networks, sewage works, seismic research and hotel construction.

The area in which Electrowatt is most heavily involved, and on which it has built a considerable reputation, is energy generation and transportation—and in particular projects associated with nuclear, hydro and thermal energy. This demands heavy computing power.

More about the Cray service from LUCS at United House, Leonard Street, London, E.C.2.

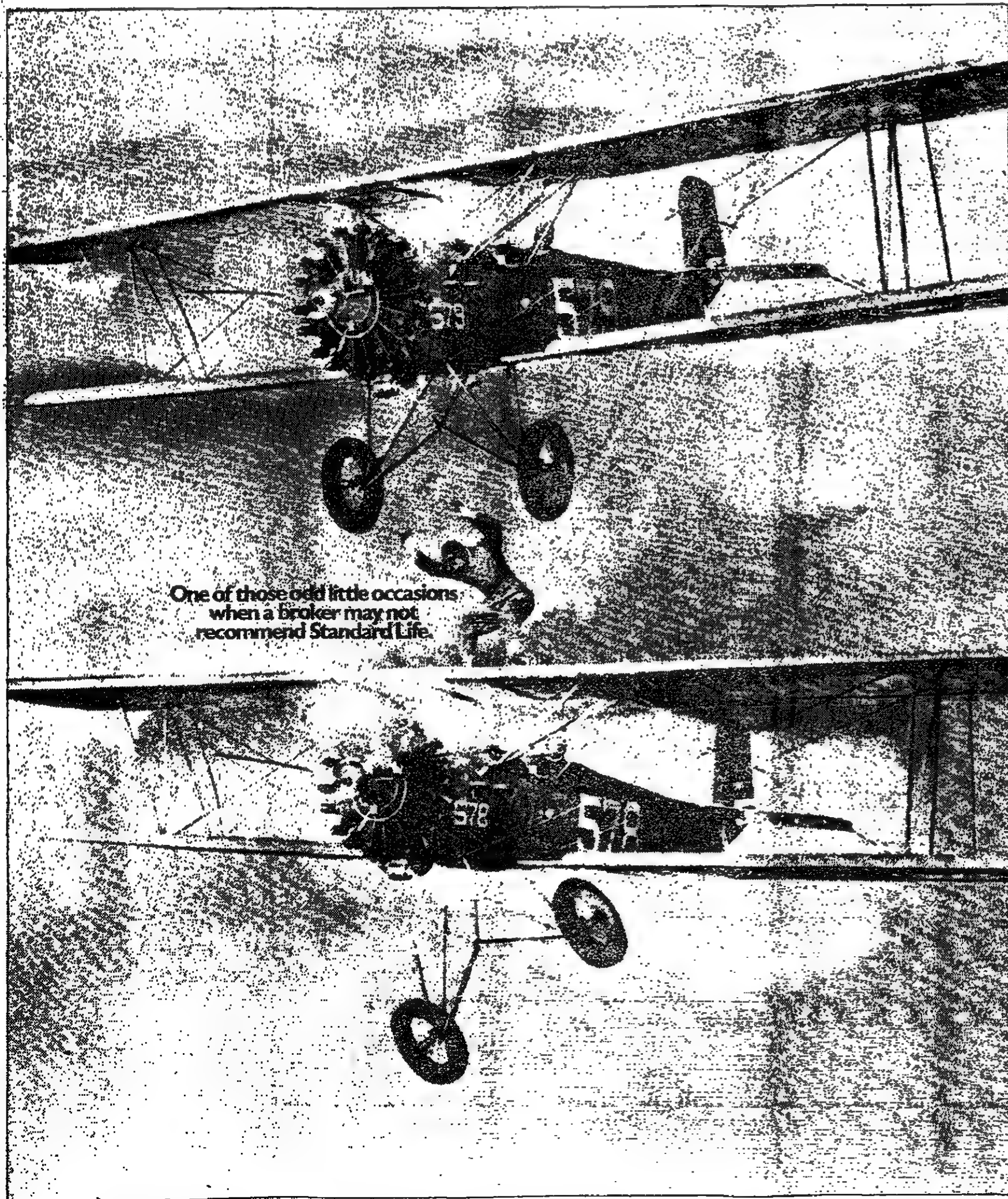
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## THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

## Italy's thriving co-ops seek a new financial footing

BY RUPERT CORNWELL



Onelio Prandini—the new Communist president of Lega.

Italy's Left-wing co-operative movement is once again making a name for itself in the past few years, where experiences at Scottish Daily News, and Kirkby made the mention of the idea almost a word.

Italy, each passing month struts that the industrial state is a device that is so much so that the Nazionale Delle Co-operative (the National League of Co-operatives and Beneficial Societies, known as Lega), controlled by the Socialists, now become not a theatre for the rivalry of the Italian Left, but a part of the structure of the economy.

By last February the movement came sharply into the spotlight. Traditionally the Lega

has been dominated by the Communists but, taking advantage of a certain loss of touch on the part of the Communists after a financial misadventure which cost a former Communist president, Vincenzo Galletti, his job in 1977, the Socialist minority staged something of a coup. Not only did its members install one of their most forceful younger men, Umberto Dragone, as vice president, even more important, they managed to secure acceptance of the idea of alternating the top job. This means that Dragone could easily be the next President of what has hitherto been a Communist stronghold.

Figures alone explain just why the Socialists attach so much importance to the Lega in their counter-offensive against the Communist dominance of the left: last year the 12,000-odd co-operatives under the Lega's umbrella generated sales of over £5,000bn (£2.9bn). The growth

rate is such (20 per cent per year in real terms) that this could rise to around £7,000bn (£4.1bn) in 1979.

Although the very strength of the movement lies in the myriad of small enterprises which constitute it, it represents an bloc the fourth or fifth economic grouping in Italy: behind IRI, ENI and Fiat, but more or less on a par with Montedison.

## Politics

In a part of the political spectrum where ideology counts for so much, it was probably inevitable that so flourishing a formula should get dragged into the debate—in particular into the argument over the so-called "Terza via". This concept, launched by the party secretary Enrico Berlinguer, and so far not clearly defined, is the "third way" between Soviet-style collectivism and the orthodox Social Democracy of Northern Europe. The latter, according to the Communist critique, has acted merely as a tool for redistributing wealth, over whose creation capitalism still reigns virtually unchallenged.

It is not surprising then that the co-operative, in which none of the members can have

more than one share, and where profit is divided equally among them, is attracting many Communist thinkers as being on the way to the "Terza via". But Onelio Prandini, a Communist from Emilia and the new president of the Lega, emphasises that it can be no more than part of the answer, and not an end in itself.

For the Socialists, one concludes, it is more than that: the key to a new economic model of society, based on the principle of self-management. While firmly governed by the disciplines of the marketplace, this would offer its own third way, between the glaring inefficiencies of state capitalism Italian style, and the shortcomings of classic private enterprise where the interests of employees can be so easily trampled upon.

Mr. Dragone, formerly a prominent official at the municipality of Milan before being drafted into the Lega by his party, believes the co-operative movement is already a "miracle" in the Italian context. "We've had no cases of bankruptcy—why? Because we stick to small units, spread the risks by operating across a wide field, and because there's no corruption." He aims to build on this by bringing proven managers from outside into the

movement: in his words to "throw open the doors and windows of the Lega."

What is more, unlike the shadow economy, that other boom sector of Italian industry which draws so heavily on the inclination of the people towards the small and informal, the co-operative movement manages to prosper in spite of subscribing to union and labour rules. "People say we never have strikes," says Dragone. "Of course we do — over national wage contracts and the like, but because everyone participates, there's less confrontation."

The differences between Communists and Socialists are also beginning to show up in the foreign trade policy of the Lega. Traditionally the movement is closely linked with the Eastern bloc (which accounts for 40 per cent of its \$1bn of exports each year) and more recently with emerging socialist-leaning third world countries.

Some 30 per cent of its trade goes to these nations: the Lega also acts as an intermediary for third parties. In Mozambique, for example, its co-operatives are helping in a massive agricultural development project in Maputo province, while through its good offices Olivetti for one gained access to the local market.

The Socialists, as the policy document of the movement made clear, want to increase the 30 per cent of the Lega's trade which goes to Western Europe. Under its auspices an EEC co-operative congress was held in Rome this month even though official policy is that this new approach should not be to the detriment of existing ties elsewhere. Indeed, these are too important a strand in Italy's immensely valuable appeal as a trading partner and go-between with non-Western countries to be thrown away lightly.

## Investments

On the financial front too, things are happening. Finding the money for the £1,410bn (£300m) of investments under the movement's current three-year plan is a problem, especially as the Lega has never enjoyed much of a foothold in the network of rural and artisanal banks in Italy (unlike its Christian Democrat-dominated rival, the Confederation of Co-operatives).

This, if Prandini and Dragone have their way, will change. Already around 10 Casse Rurali (rural savings banks) are now controlled by Lega co-operatives, and efforts are under way to find others. The sort of banks that Prandini has his eyes on

are the 70-odd rural banks with total deposits of not more than around £100bn (£80m) each.

Fincooper, the financial arm of the Lega, is to set up its own version of the special aid fund for the depressed Mezzogiorno, whereby rich co-operatives will be encouraged to lend to those in the south. There are also plans to establish a guarantee fund, to help boost the amount raised in loans from co-operative members, which now accounts for about 20 per cent of the total. A similar proportion is generated from the resources of individual co-operatives, from operating surpluses or accumulated reserves.

Bank of Italy permission has been obtained in principle for this expansion. Most ambitious of all, the Lega now wants to set up its own bank, in which a minority stake of 30-35 per cent would be held by the German trade union movement. A similar arrangement already

works well for Unipol, the insurance arm of the Lega.

Socialists and Communists are equally emphatic on this need for viability. Both reject—and have told the Italian Government so—the idea of a co-operative as a last-ditch solution for an enterprise already doomed. Politely but comprehensively Prandini dismisses the British way of doing things. "I don't agree at all. It's as if everyone else had given up and the Government then said, oh, give the workers some money and let them have a go."

He draws some encouragement from the fact that the British are at least thinking more about industrial, as opposed to consumer, co-operatives. "But they can't be just an end in itself, when the venture has no chance anyway." Not for the first time, Italian Communism appears economically much harder-headed than British socialism.

EEC directive aimed at the unification of food labelling: first major piece of consumer protection legislation the Community adopted under its programme 5 — has finally emerged from Brussels after years of delay.

Britain the Ministry of Agriculture will shortly publish a list of the new regulations to implement the directive which was agreed by the Council of Ministers late last year and will come into force at the end of 1980.

The directive will force food producers to disclose, on sensitive information, the date of both date-marking and the date of manufacture, and will ensure that the date of manufacture is given to the consumer.

The directive will be the real influence on consumer behaviour to emanate from Brussels — succeeding where attempts to harmonise standards of foods such as meat, or beer, or protect the

consumer from misleading advertising or doorstep salesmen, have either sunk without trace or are in the process of floundering.

The directive also provides a significant example of the way in which Britain's bureaucrats in Brussels work with UK industry to achieve the inevitable EEC compromises.

The directive may be the most far-reaching piece of EEC consumer legislation, but it has still not completely satisfied European consumer organisations which think the directive does not go far enough, much to the chagrin of the hard-pressed bureaucrats in Brussels responsible for keeping the Community's consumer programme alive.

The Bureau Européen des Unions de Consommateurs (BEUC), which represents European consumer organisations at Brussels, feels that the compromise "goes a long way to making a mockery of the otherwise excellent directive and gravely endangers the credibility of the



nine governments' declared concern for consumer protection in Europe.

The food labelling directive was first drafted in June, 1974, before the much-vaunted consumer programme got off the ground. But its survival through the intervening five years owes much to the growing pressure from consumers in the nine EEC countries.

As a speaker at a recent Food and Drink Industries Council (FDIC) seminar candidly admitted: "Left to industry, I doubt if we would ever have got agreement."

The aim of the directive is broadly to give European consumers clear, uniform and accurate information "as to the characteristics of the foodstuff and, in particular, as to its nature, identity, properties, composition, quantity, durability, origin or provenance, method of manufacture or production."

The most important part of the new regulations undoubtedly deals with date-marking of food products. But other areas of controversy include the percentage declaration of ingredients, the use of so-called "E numbers" (an agreed code

using E1, E2, etc. for unpronounceable chemical names), and drained weights of packaged foodstuffs.

In all these areas there has been much behind-the-scenes activity in Brussels, with the UK's representatives fighting hard to achieve several compromises, notably over date-marking.

The need for greater information on date-marking was illustrated by a Consumers' Association survey in Britain which found that most UK consumers were confused by existing date-marking information. These products which had a "sell by" date were often misinterpreted as "eat by" dates; and the information did not obviously give consumers clear information as to the storage life of a product.

The EEC directive instead adopts a minimum durability system of date marking, similar to the one used in Canada. This will mean that most foodstuffs — with only a few exceptions — will have to include a "best before" date (meaning that the product is in its best condition before a certain date) on the label to tell

## The EEC sticks to its policy on labelling, but only just

BY DAVID CHURCHILL

consumers the shelf life. When storage conditions affect the date, then that information must also be included on the label.

Frozen foods and short-life perishable foods, such as meat, fish, and dairy products, will still be able to use the "sell by" label. But as a result of pressure from the UK bureaucrats, a compromise was reached allowing the option for countries to exempt food products with a shelf life in excess of 18 months from the "best before" labelling. The UK had wanted this concession to apply to products lasting longer than 12 months, but accepted the 18-month ruling as a compromise.

## Directive

A speaker at the FDIC seminar, Mr. John Elliott from Bachelors Foods, pointed out that the UK's solitary fight on date-marking indicated that there was a closer relationship between the food manufacturers and government in Britain than in the other member countries.

Industrialists in most other countries were in favour of the date-marking exception proposed by the UK, he said, but their governments had not represented their views in Brussels. "Manufacturers in other member states do not

appear to have the relationship that we have and this is something we must maintain," he added.

But British (and other) food manufacturers are now anxious for the Ministry of Agriculture to finalise any further details of the date-marking system to be used so that the necessary equipment can be bought and tested in time.

Apart from date marking,

the rest of the Brussels wrangling centred largely on the listing of ingredients. Originally it was proposed that the percentage of main ingredients in a product should be listed on the label—what percentage of fish is in a fish finger, for example. The UK opposed this, including among its arguments: "How many shepherds in a shepherd's pie?"

In the end another compromise was reached whereby the percentage need only be disclosed when that particular ingredient is emphasised, and emphasis does not mean the name of the product. Although details still have to be clarified, it seems likely that while tomato and vegetable soup, for example, is the name of the product and not "emphasis," a declaration that it comes with "luscious tomatoes" would

probably require the percentage of tomatoes to be listed. The use of so-called "E numbers" was also opposed by the UK, since it was claimed they would hamper manufacturers' flexibility for substituting additives. These E numbers are designed to avoid the use of such terms as "sodium carboxymethyl-cellulose" on the label, while still giving full details of ingredients and additives. Consumers with allergies to particular additives would be able to recognise those E numbers to avoid.

However, another compromise has allowed the use of "F numbers" to be made optional. One final compromise may have significant implications. Because of the dispute over some aspects of the directive, the main areas in contention will be reviewed after five years.

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The Broken Hill Proprietary Company Limited  
10% Debentures Due 1990

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Indenture, dated as of May 1, 1975, under which the above described Debentures were issued, Debentures aggregating U.S. \$825,000 principal amount, have been selected for redemption on May 1, 1979, through operation of the Sinking Fund, at the principal amount thereof, together with accrued interest to said date, each in the denomination of U.S. \$1,000, as follows:

Outstanding Debentures bearing serial numbers ending in any of the following two digits:

Also Debentures bearing the following serial numbers:

On May 1, 1979, the Debentures designated above will become due and payable as aforesaid in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts. Said Debentures will be paid, upon surrender thereof with all coupons appertaining thereto maturing after the redemption date, at the option of the holder either (a) at the Corporate Trust Office of Morgan Guaranty Trust Company of New York, 30 West Broadway, New York, New York 10015, or (b) subject to any laws or regulations applicable thereto, at the main offices of Morgan Guaranty Trust Company of New York in Brussels, Frankfurt (Main), London, Paris and Tokyo, of Banca Venetiana & C. S.p.A. in Milan and Rome, of Bank Allee & Hope NV in Amsterdam and of Kreditbank S.A. Luxembourg in Luxembourg. Payments at the offices referred to in (b) above shall be made by check drawn on, or transfer to a dollar account maintained by the Holder with a bank in The City of New York.

Coupons due May 1, 1979, should be detached and collected in the usual manner. On and after May 1, 1979, interest shall cease to accrue on the Debentures herein designated for redemption.

THE BROKEN HILL PROPRIETARY COMPANY LIMITED

Dated: March 28, 1979

## NOTICE

The following Debentures previously called for redemption have not as yet been presented for payment:

5197 5301 5364 5365 19602 19660 19687 19677

## BUSINESS PROBLEMS BY OUR LEGAL STAFF

## Private company voting

I believe, in the case of a private company, the normal procedure in voting can be (1) show of hands; or (2) vote by poll. Is it true, however, that in the latter case a motion can be overturned if it is backed by less than 75 per cent of the votes tabled at the time of the meeting? Is it also true that one can demand (say the Chairman) a vote by poll instead of a show of hands?

An ordinary or bare majority is sufficient. Unless the motion is one which falls in the categories required by the Companies Act 1948 to have a special majority (e.g. changing the name of the company), where a three-quarters majority is needed. The Companies' articles of association may also prescribe cases (not required by the Act) where a special majority is required. There is normally no right to insist on a show of hands as opposed to a poll, and Section 137 of the Companies Act limits the power to make provision in the articles of association to restrict the rights of members to demand a poll. Broadly speaking the holders of more than 1/10th of the voting share capital or members with voting rights exceeding five in number cannot be precluded from demanding a poll.

## Security of tenure

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No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

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# LOMBARD

## The Strasbourg circus

BY MARGARET VAN HATTEM

In Strasbourg, with no help from anyone, members of the European Parliament recently made perfect asses of themselves. Intent on voting for a three per cent increase in the Community's farm support prices, they inadvertently voted for a freeze on products chronically in surplus. In effect, a freeze on half the Community's annual \$1.3bn price support bill. In voting for a three per cent rise on the remaining half, they got the currency unit wrong, using a unit which never was and never will be used for farm prices, the direct application of which would, however, cut prices by around 17 per cent.

This rather spectacular blunder may answer the implicit questions of certain British MPs, who began the debate by deploring the Parliament's total lack of control over EEC farm spending. Farm spending takes up three quarters of the Community budget. The Commission, in putting forward proposals, is required to take note of the Parliament's opinion but not necessarily to act accordingly.

### Confusion

How did such a blunder come to be made? Well, the package before the members was complicated, perhaps unnecessarily so, by the large number of proposed amendments. And the technicalities of EEC agriculture can be daunting to the unwary. But this sort of confusion can be cleared up in advance of the voting. The real answer is that half the members, having collected their appearance money, had left Strasbourg by the time the vote was taken. And the kindest thing that can be said of the remainder is that, with a few honourable exceptions, they were half asleep. One Commissioner, less kindly referred to as a "bunch of clowns".

It could be argued that the farm vote was a highly technical matter that would have confused most parliaments. But even when it comes to the broad brush strokes of international politics, the European assembly still ends up with egg on its face. On the same day as the farm vote, the Parliament withdrew from its agenda a rather embarrassing report on a code of conduct for EEC firms operating in Africa which suggested, among other things, that a policy of one-man-one-vote

### Death throes

Many who have attended sittings of the European Parliament in Strasbourg or Luxembourg sympathise with the Commissioner. But if the European Parliament is to be a real parliament, it is an expensive one. Last year, running it cost the Community more than \$150m.

Over the past six months the Parliament in exploiting a loophole left by the Council of Ministers to try to force through an increase in the Community's Regional Fund, has shown it has ability to master complicated legal procedures—even if it does not always use it. In the excitement of the battle between the Parliament and the Council, optimists have been speculating that the direct elections in June might give birth to a new animal, a Parliament with teeth and claws. It will, of course, need them in the struggle to wrest power from national parliaments and from other EEC institutions, and to fight its way through the mountain of paperwork left by the present Parliament which, in its death throes does not apparently have the strength left even to wield the rubber stamp.

The new MPs will not need to divide their time and energy between the European and national Parliaments—they will be full time. They will, it is hoped, have more staff and better back-up services, and they will probably be of higher calibre than the outgoing MPs. But will this be enough to effect the transformations? With less than three months to go, it is not at all clear what the new Parliament is supposed to do, nor whether it will be equipped to do it.

PRIVATE greenhouses nowadays are smaller, uglier, and less rewarding than most of their forbears whose memories are preserved in records or photographs some 50 years ago. Unpainted metal frames and polythene bubbles have none of the style of the old wooden-framed lean-to. In a few brick-walled kitchen gardens you can still meet the proper thing, heated against tax and still roofed over with fruiting exotica. To enter a greenhouse was once to come out with a pocketful of secret peaches, grapes, or a well-concealed nectarine. The passage through its clammy hot-chamber into white-washed rooms which still smelled of fruit-spray was a regular burglar's progress, half-tolerated by fortunate hosts.

Resisting such a well-stocked greenhouse last week, I pined for the worry of leaf-drops, fruit-fall, pollination by rabbit's tail and haggling against the wind. Above all, I longed once again for a really good fig. Readers with southern or foreign gardens write in from time to time to ask if the fig has a trick. Having lived for some years with two poor fruiters on a cottage wall, I came to know some of their habits. Now is a fit moment to plant one if it takes your fancy. You need a warm south-facing wall, a cold and well-insulated greenhouse or a Mediterranean retreat.

It is odd what the experts

see in it. "The most characteristic feature," writes an authority, Mr. Bean, "is the peculiar indorsement which consists of a concave receptacle almost closed at the mouth and containing numerous unisexual flowers." Botanists will be botanists. Perhaps Mr. Bean never sank his teeth into those voluptuous centres of red-brown flesh and gritty seeds. I prefer the tastes of an old Roman emperor. The foam on the jaws

found nobody as yet who can voice the plant's own opinion. It is not a very productive tree, though figs are long-lived trees. At the turn of the century, the heaviest croppers were standing free in the open, a site which we would never risk inland nowadays. But Covent Garden thrived on them, as did Londoners' late summer digestion when the Worthing figs were 4d a dozen in a modest year.

Converts to fig-culture must

### GARDENS TODAY

BY ROBIN LANE FOX

of a drying wild boar, the splitting seams of over-ripe figs: these, in a vivid perception, the featured sights of Marcus Aurelius, paying the world's first prize tribute to the autumn fig.

"The industry of fig-culture," runs a judgment, hardly less respected, "may fairly be said to be centred in Worthing." In 1904, fig leaves were all the rage outside this unlikely town. Nearly two centuries of history ran behind the Tarring Fig Gardens outside Worthing. An extraordinary oasis of half an acre of well-spaced fig trees, thick with fig leaves and up to 25,000 fruits a year, I have

be reminded of the two important facts. Figs must be confined at the roots. Otherwise, they feed themselves too well and run densely to leaf. I had two old oaks between my former house's windows where they were soon a menace. By late autumn their branches were thick-leaved and spreading all over the glass. The trees had not been properly confined at the base. A former owner had manured them when she found that fruit was seldom set. Thereafter, it was scarier still. Figs must not be fed too deeply. Their woody stems and tough leaves hold the moisture on bare Aegean rock-faces. Like

## Essex Prince can score for Harwood at Folkestone

NINE RACES spread over four hours in the programme at Folkestone this afternoon where the seven furlong Shorncliffe Stakes, has been divided into three divisions.

One of the few racegoers likely to relish this endurance test is Guy Harwood who has

### RACING

BY DOMINIC WIGAN

the prospect of success with Lustrous and Essex Prince.

The first from this pair to take the field is Essex Prince and even he has to wait until the seventh race, the opening division of the Shorncliffe. As a youngster Essex Prince ran only once, but his effort was good enough to suggest that a race of this type would prove well within his ability as a

three-year-old. Well to the fore in the early stages of a 21-runner maiden race won by Barra Castle at Newmarket last July, Essex Prince was given an easy race.

Essex Prince looks poised to win arguably the weakest of the three Shorncliffe divisions.

In contrast stablemate Lustrous has had a busy first year: finishing out of the frame on three occasions before being placed twice at his local course, Goodwood, in the autumn. Lustrous is fitter than most in a particularly well forward Combeblades stable there seems no reason why he should not land the second division of the Rochester Stakes.

That seasoned campaigner, Mr. Forde, goes for his fourth course and distance victory in the Kingsnorth handicap over 13 miles. Mr. Forde looks certain to give a good account of himself.

but I doubt if he will be able to give 15 lb to Azd, who is equally versatile, notching up a winning double within three days recently.

Bill Wightman has a number of likely looking three-year-olds racing for him this season and

**FOLKESTONE**  
1.45—Ayoub  
2.15—Piercing Note  
3.15—Hazard Chase  
3.45—AZD  
4.15—Kings Ride  
5.15—Essex Prince\*\*  
5.45—Lustrous\*\*

I am hopeful that Kings Ride will be his first winner in the opening division of the Shorncliffe.

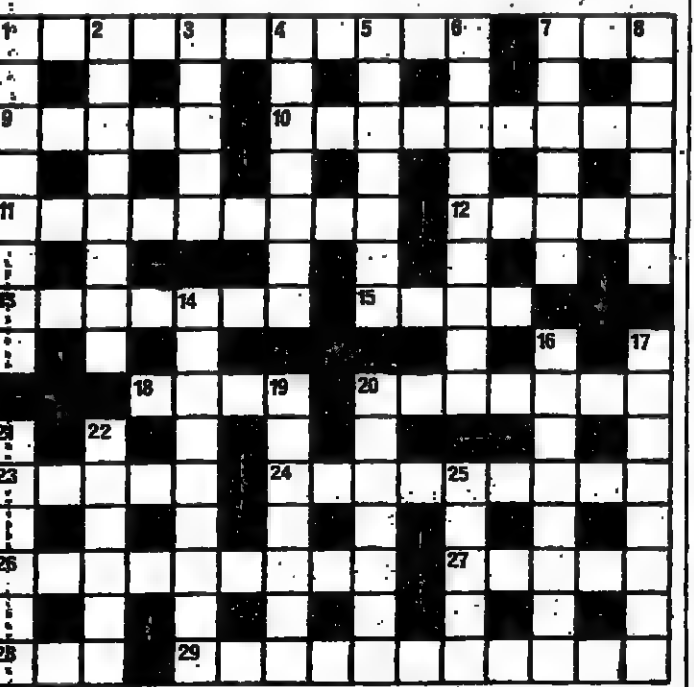
Wightman's bay colt did not achieve anything in two races as a youngster but I understand that he, too, is well forward and considered capable of winning a small prize.

### TV/Radio

† Indicates programme in black and white

**BBC 1**  
7.05-7.55 am Open University (Ultra high frequency only)  
9.30 For Schools, Colleges, 12.45 pm News, 1.00 Pebble Mill, 1.45 pm News, 2.00 For Schools, Colleges, 3.53 Regional News in England (except London), 3.55 pm School, 4.20 Touché Turtle, 4.55 Jackanory, 4.40 Take Hart, 5.00 John Craven's Newsround.

### F.T. CROSSWORD PUZZLE No. 3,933



- 1 Wrapping material western brew used for holding sheets (5-6)  
2 Silly fellow climbs in trees (5)  
3 Perch or pole in foundation (5)  
4 Start to talk about one drink (9)  
5 Wolf discovered fish (9)  
6 Angry about one artist's note (5)  
7 In former turn but not precise (7)  
8 Born and died initially in want (4)  
9 Harsh sound of adherent? (3)  
10 Seen and heard in church and court (7)  
11 Suave learner in orchestra (5)  
12 Red returns substitute horse and pistol (9)  
13 Bright circle in southern tent (9)  
14 Cry about small number returning, old pal (5)  
15 Hit a very small spot (3)  
16 Change the term "roar" to "quake" (5-6)  
17 DOWN  
18 Airman start flying in pain, needing oil (8)  
19 He can get a professional healer (8)  
20 Deserved to be valued (5)  
21 Person full of self-importance got in wrong site (7)

Continuing to talk at length (5, 2)  
Having three rows converted in trailer (9)  
Stitch article for sailor (6)  
Like better to promote (6)  
Plenty for sailor going to a French ball (9)  
Telephone mean, grovelling creature with skin disease (8)  
Drink put round salver for traitor (9)  
Animal that's more flushed round the east (3-4)  
Withdraw from competition—it could be the result of irritation (7)  
Sailor employed and maltreated (6)  
Vegetable for a vicar in bed (8)  
Suffer at home with dog (5)

Solution to Puzzle No. 3,932

### BBC 2

6.40-7.55 am Open University.  
10.20 Garbar.  
10.30 News.  
11.00 Play School (as BBC-1, 3.55 pm).  
4.50 Open University.  
6.55 Family History.  
7.20 Mid-evening News.  
7.30 The Long Search.  
8.20 The Money Programme: The price of petrol.  
9.00 A Party Political Broadcast (as BBC-1).  
9.15 M\*A\*S\*H.  
9.30 Play of the Week.  
11.05 My Kind of Music: Harold Evans, editor of the Sunday Times, on "The Treasure of the Sierra Madre."  
11.10 News.  
11.25 Arena: Cinema.

### LONDON

9.30 am Schools Programmes.  
12.00 Clappa Castle, 12.15 pm Rainbow, 12.30 The Cedar Tree, 1.00 News, 1.30 Thames News, 1.30 Crown Court, 2.00 Noon Plus, 3.20 Treasures In Store, 3.50 Letter by Letter, 4.20 Under the Same Sun, 4.45 Park.

### Radio Wavelengths

1 103.5kHz/25m 3 121.5kHz/20m  
2 69.5kHz/432m 4 200kHz/1500m  
5 88.5kHz/27m 6 88.5kHz/27m

### RADIO 1

(S) Stereophonic broadcast  
5.00 am Radio 2, 6.00 Dave Lee Travis, 6.30 Simon Bates, 7.30 Paul Burnett, 2.00 pm Tony Blackburn, 4.31 Kid Jensen, 7.00 Radio 1 Mailbag, 8.00 Andy Peebles, 8.50 Newsbeat, 10.00 John Peel (S), 12.00-5.00 am Radio 2.

### RADIO 2

5.00 am News Summary, 5.02 Tony Brandon (S), 7.32 Terry Wogan (S) including 8.27 Racing Bulletin and 8.46 Focus for Housewives, 10.00 News (S), 12.15 pm Waggoners' Walk, 12.30 Peter Murray's Open House (S), 2.30 David Hamilton, 4.45 Sports Desk, 4.47 John Dunn (S), 6.45 Sports Desk, 7.02 John Dunn (S), 7.20 Listen To The Band (S), 8.15 The Magic of the Musicals (S), 9.02 The Impassioned, 9.55 Sports Desk, 10.02 The Grumble, 10.30 Peter Allis says Be My Guest, 11.02 Harry Rowell with Round Midnight, including 12.00 News, 2.00-5.00 am You and the Night, and the Music with Bill Benneville (S).

### RADIO 3

6.55 am Weather, 7.00 News, 7.05 Your Midweek Choice, part 1 (S), 8.50 News, 9.05 Your Midweek Choice, part

### ANGLIA

1.25 pm Anglia News, 2.00 Home-Party, 2.25 The Love Boat, 2.55 News, 3.15 Mr and Mrs, 3.55 News, 4.15 Mr and Mrs, 4.45 News, 5.15 Mr and Mrs, 5.45 News, 6.15 Mr and Mrs, 6.45 News, 7.15 Mr and Mrs, 7.45 News, 8.15 Mr and Mrs, 8.45 News, 9.15 Mr and Mrs, 9.45 News, 10.15 Mr and Mrs, 10.45 News, 11.15 Mr and Mrs, 11.45 News, 12.15 Mr and Mrs, 12.45 News, 1.15 Mr and Mrs, 1.45 News, 2.15 Mr and Mrs, 2.45 News, 3.15 Mr and Mrs, 3.45 News, 4.15 Mr and Mrs, 4.45 News, 5.15 Mr and Mrs, 5.45 News, 6.15 Mr and Mrs, 6.45 News, 7.15 Mr and Mrs, 7.45 News, 8.15 Mr and Mrs, 8.45 News, 9.15 Mr and Mrs, 9.45 News, 10.15 Mr and Mrs, 10.45 News, 11.15 Mr and Mrs, 11.45 News, 12.15 Mr and Mrs, 12.45 News, 1.15 Mr and Mrs, 1.45 News, 2.15 Mr and Mrs, 2.45 News, 3.15 Mr and Mrs, 3.45 News, 4.15 Mr and Mrs, 4.45 News, 5.15 Mr and Mrs, 5.45 News, 6.15 Mr and Mrs, 6.45 News, 7.15 Mr and Mrs, 7.45 News, 8.15 Mr and Mrs, 8.45 News, 9.15 Mr and Mrs, 9.45 News, 10.15 Mr and Mrs, 10.45 News, 11.15 Mr and Mrs, 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## THE ARTS

1, Manchester

### Carmélites

by MAX LOPPERT

It exactly a ball of fire, was one remark over Monday's performance of the Royal Northern Ballet's *Carmélites*, detractors, for me it is a beautiful, more so, even for all its disorienting of manner—emotionally grander, an encounter. Many have been recognised the composer owned—us. Yet each hearing discloses the dominant of Stravinsky, particularly in his use of wind instruments, and the neo-classical, marbled and grave and the tone of the is mostly grave, even lapidary concision of y has been sweetened by the own brand of ricism. In a way it is at in the past decade ie opera has become a vehicle for. There are good reasons should have. Opera ed operas that provide a contingent of nuggets; Pouenc has sup- And young, fresh id a sheer of innocence dlicity that keeps pos- ests of sentimentality ut from all his players, ose in small parts, demands an eloquence ; word to note—mostly ersational utterance, in brief, ample lyrical at is an art not often stered at the student thout it, the drama is tly less vigorous. Our thoughts are prompted lection of the Royal College to give the the original. That is o major mistakes that g shadow on an other- oughly prepared pro- Singing in French is a useful early lesson cast, and if all three nces in the run were i played to the public, uld be no complaint. is an opera in which apprehension of an matters a good deal if to seem one eternal moderato, très calme et rhaps the college knows nce, and knows that it ung French a good deal ily than audiences at arden and the Metro- where the work is done h Machlis' translation. n, the college has not l by its audience. Only

#### rynmor Jones Library's 50th birthday

rynmor Jones Library in rsity of Hull has just d its 50th birthday. The y has published an d booklet. The Jones Library 1929- acting the library's ent to the present with a stock of mor n volumes and many reader services. ary was named after rynmor Jones, vice- of the university, 956-1972, who was responsible for the growth. The library only two librarians: es Cuming, who retired, and the present

librarian, the poet Philip Larkin. Although the booklet is unsigned, Dr. Larkin is understood to be the author. The booklet mentions some of the library's acquisitions, such as the library of the Fabian Society and the collection of papers "relating to bodies such as the Union of Democratic Control and the National Council of Civil Liberties," which have given the library some standing as a research centre in political ideologies. The library of Busby Hall was acquired in 1957 for £100; the 2,000 volumes included a second edition of Raleigh's *History of the World* (1617) and a 1759 printing of Voltaire's *Candide*.



Photo of James Herriot

### Farm animals fare better than some old people

#### But you can do something effective about their plight

a sad fact that in many poor communities over- old people are obliged to exist in a state that id be a disgrace were it inflicted on British m animals. Hunger that slowly kills by one of starvation diseases is a tragic result.

I am thankful to say that dedicated people doing something practical to save them, to ievie suffering and change the situation. Major dley Gardiner, a retired British Officer, is one them, and each day he literally feeds thousands Calcutta. There are others whose great need is basic equipment—a field kitchen, a Land-Rover well-drilling gear to provide a crop growing ter supply.

It would be difficult to find a better or more ductive use for a legacy than one which enables ch volunteers to give their skills in a way that ves so many lives.

£150—inscribes a name in enduring memory the Dedication Plaque of a Day Centre.

Write or telephone for interesting information oklets and the annual report and accounts to: ie Hon. Treasurer, The Rt. Hon. Lord Maybray- ng, Help the Aged, Room FT31, 32 Dover Street, mdon W1A 2AP. (telephone 01-499 0972).

Testators may specify if they wish a bequest to be used for a particular purpose.

Television

## The accepted face of violence

by CHRIS DUNKLEY

At about 8.50 on Sunday evening BBC2 transmitted to homes all over Britain a vivid and detailed sequence of pictures showing a man pushing a long pointed object into a woman. We watched in medium-shot as the man prepared his assault, and then went into close-up on the relevant area of the woman's body at the moment of penetration. It may well be that the "flesh" we saw being pierced in close-up was really part of a dummy, but such is the expertise of directors, make-up artists, and editors these days that I certainly flinched not only mentally but physically at that moment. The man was actor Hywel Bennett who is playing the part of Dr. Bickleigh in Philip Mackie's dramatisation of Francis Iles' story *Malice Aforethought*, which is being broadcast on Thursday evenings at 8.30 with Sunday evening repeats at 8.10. The woman was Judy Parfitt, giving a wonderfully loathsome portrayal of Julie. Dr. Bickleigh's wife. The part of her body being penetrated was her arm. The pointed object was a morphia-loaded hypodermic syringe, and the event being portrayed was that most violent act which one human being can visit upon another: murder.

A week ago today the BBC issued "A Revised Note Of Guidance" comprising 26 pages of advice and suggestions for its own staff on "The Portrayal Of Violence In Television Programmes." On Page 3 it says: "It has been accepted since 1960 that programmes shown before 9.00 pm should not be unsuitable for the children who are likely to be included in the audience." It adds that the BBC realises large numbers of children will watch "any adventure or 'horror' film, comedy series or popular crime series, even when played late at night."

Why, then, was that sequence in *Malice Aforethought* transmitted twice last week, seeming as it does to contravene the BBC's own rules, just about as thoroughly as possible? You may say that *Malice Aforethought* was made and scheduled months ago, that the Revised Note Of Guidance was published only last week, and has not yet been distributed to staff. In essence, however, the new Note is no different from the March, 1972, Note Of Guidance of which it is a revision, and anyway—the Note makes clear—the "watershed" policy has been in force (theoretically) for nearly 20 years.

No, the reason, surely (borne out by the numerous other examples which could have been chosen instead of *Malice Aforethought* which, incidentally, happens to be superbly entertaining), is that broadcasters are assiduous in paying lip service to the ideas of monitoring, limiting, and even reducing the amount of violence on television, but unobscrivant to the point of Nelson's eye when it

comes to doing anything about it.

Think back over those few notorious programmes which the public are aware have been halted in the course of production, pulled out of the schedules, or in some other way banned in the last few years: as this column showed with a list giving chapter and verse 21 months ago, such material almost invariably involves God, sex and Ireland, rather than violence.

With *The Balcony* it was sex; with *Brimstone And Treacle* God and sex; with *Hang Out Your Brightest Colours* the politics of Ireland; with *Sex In Our Time* it was more sex; with *South Of The Border* Ireland; with *This Week's* edition about the Amnesty Report it was Ireland again, and so on.

In contrast only three instances come to mind of action taken during the whole of the last decade over violent programmes, and even they faded in significance when you study them. First, the extremely violent *Big Breardinner Hog* was moved from peak time to a later evening slot. Next, Brian Phelan's BBC play *Article Five* was banned, but some of us who have seen it feel its torture sequences offended more under the "Ireland" heading than the "violence" category; certainly more violent programmes have been broadcast. Third, Roy Minton's play *Scum* was banned last year, but again the main reason seemed to be other than violence—this time the supposedly misleading picture of a Bostall.

Now we are told that the *Dukes of Hazzard*, currently broadcast at 9.00 pm on Saturdays, is to lose its peak time slot to *The Rockford Files* and the main reason is said to be that although *The Dukes of Hazzard* is mild in terms of human violence, it does feature the destruction of a lot of property—particularly cars. And the Revised Note says:

"The recent clamp-down in the United States on the portrayal of violence affecting human beings has led to the injection of action and excitement through destruction of property. Cars are no longer just driven over cliffs; they are seen to fall onto rocks and burst into flames." (Did you ever see a film or television programme of a car going over a cliff without also seeing it crash and burst into flames? Nor did I. The Note adds that this "hard-ware violence" is "merely a substitute for direct man to man violence and such acts of violence should not be introduced to compensate for a lack of quality in the writing."

Personally I would far rather watch good stuntmen smashing cars to pieces than good actors smashing one another to pieces. No matter how good or bad the writing. In any case, though, *The Dukes of Hazzard* is not actually being banned. In fact 10 years' careful watching of both the television screen and the television organisations suggests to me that the likelihood of any violent action lead-



Hywel Bennett in 'Malice Aforethought'

ing on its own to a ban is very very slight.

Suppose, however, just for a moment that in place of that violent, symbolically phallic, death-dealing scene in *Malice Aforethought* illustrating the imposition of the tastes of the majority or even the opposite. As few as three channels of television should be enough to ensure that all minorities are satisfied at least occasionally. Experience and the ratings prove that millions of quiet, mild, law-abiding viewers get some sort of satisfaction—be it cathartic or whatever—from programmes about violent cowboys, soldiers, gentlemanly murderers and so on. Let them (and us when we choose) have violence.

But so that we can avoid it, and anything else when we want to, let us all be forewarned, just as the Revised Code urges that we should be—though for reasons known only to themselves the BBC restrict this urging solely to "purchased programmes," i.e., old movies. ITV have recently made similar recommendations. Let us do away with the hypocrisy which makes a great noise about curtailing violence while doing nothing of the sort, but— with very little noise indeed— ensures that the ethics of the prude, the immature and the fearful curtail the choices offered to all of us when it comes to God, sex and Ireland on television.

Having read the script I am not entirely sure about the relevance to the main plot of this old biological curio which itself forms a sub-plot. I am absolutely sure, however, that I would rather watch this adaptation of a very original short story by one of Britain's most highly acclaimed young authors (the book containing *Solid Geometry* won the 1978 Somerset Maugham Award) than go

ICA

### Alvin Lucier

by RICHARD JOSEPH

It's not easy to report on an event that was not so much a concert as a demonstration of musical research. The works of Alvin Lucier, presented by Stuart Marshall on Sunday night at the ICA, belong to a well-established transatlantic tradition of experiment. As in the wilder works of Cage or Ives, the invention is concerned with providing a unique conjunction of elements; in this case not only musical, but technical as well. Lucier's chief interest lies in using the software of current technology in unpredictable yet intrinsically musical ways. The sense of exploration and discovery inherent in his work stems from his ability to endow these technological objects with a sense of imagination.

*Clocker*, the second work in his programme, is a good example of this attitude. The rhythms of a ticking clock are syncretized or shifted by a digital delay system, which stores the clock-ticks and replays them when triggered off. Simple enough. But the trigger is an unpredictable and characteristically Lucierian element: a performer with a pair of lie detector electrodes attached to his fingers, which respond to the changes of his emotional states, thereby triggering the delay system. The performer's thoughts and responses become the initiator of a musical process in a completely unconventional way.

One could evolve a set of imaginative references from this configuration of objects, sounds and people: the ticking clock, the lie detector used as a cue

for a musical process, the nagging curiosity about just what the performer (in Sunday's concert, the composer) is thinking in order to trigger off the system. The unpredictable is invited to happen, because the performer exercises a musical role, yet is never capable of complete control. And in quite another respect, it is interesting to observe the result of a composer's being given a lie detector test—which any musical performance, in some respects, is.

The other works on the programme were chiefly concerned with acoustics. *Directions of Sounds from the Bridge* was a demonstration of the resonant properties of a cello. *Bird and Person Dying* presented a more complex interface between a twittering electronic bird, the difference tones of acoustic feedback and a musician whose position in the room influenced the relative pitch of the feedback between a set of loudspeakers.

Lucier's presentation seems deliberately aimed at creating an atmosphere of mystery. The programme notes are not detailed enough to enable one to guess what is going to happen (which is all to the good), yet the performance itself is not completely explicable without additional information. His work is not encoded in any set-ways—there are few scores to consult—so it relies on the present tense, which conceptualists now apparently prefer to call Real Time, to make its points. In this and in its other essentials, Lucier's invention is undoubtedly more musical than anything else.

Festival Hall

### Gilels by DOMINIC GILL

There were many weird and many beautiful things in Emil Gilels' piano recital on Sunday afternoon. In the first half, the beautiful predominated; by the end, the weird had gained the upper hand. But all of it, even the weirdness, was mastery.

The best was no less than sensational: in the four little Schumann *Klavierstücke* op.32, an almost superhuman self-possession and command—the Romanza of the third a magical study in top-note cantabile, the accompaniment *mezzo voce*, alive with flashing colours; mastery, too, in the tiny *Andante* of complex inner polyphonies, darkly crowding, and of Schumann's own strange and arresting pedal effects.

Serkin gives the first of Brahms's four *Ballades* op. 10 as a smoky, autumnal reverie; Michelangeli, as a vial of delicate, crystal colours. Gilels was quite different from either, more outspoken, poignant, an epic lament, endlessly sad. (It was a nice idea to insert a leaf in our programme containing the words of the original literary inspiration for that first *Ballade*: though for those unfamiliar with the look of it, transcribed Scottish dialect can take some puzzling out—"and quhy sae sad gang zee, O?" indeed.) The little B minor *Intermezzo* was a single shaft of sunlight in an otherwise very sombre reading, dark and melancholy: at one point I suppressed an irreverent wish that the cloud might break just once, and some ray of quick Cherkassian levity shine through.

To introduce his all-Chopin second half, Gilels chose the most sombre of all Chopin Polonaises, the C minor op.40, no.2—austere and wintry prelude to the first movement of the B minor sonata, whose maestro qualification he interpreted not only literally but with a vengeance: at the slowest possible tempi, and still slower, the music all but ground to a halt, frozen in slow-motion caricature. That first movement I found so slow, and so mannered, as to be nearly unrecognisable. The scherzo suddenly sounded normal, fast and sparkling, flickering with fire: but in the largo, lugubriousness returned. And not lugubriousness merely: to desynchronise the cantabile melody to such an extent from its accompaniment is not only affected but of a vulgarity that not even the worst excesses of salon pianism would countenance. The finale was fast, but for all its brilliance, curiously deliberate, a dream, recalled with difficulty, its focus never quite clear. Strange, recital: strange dream.

Palladium

### Bob Hope by MICHAEL COVENEY

Bob Hope returns in a solo act to the Palladium after 26 years and, despite the uneven effect of reading half his material off an illuminated cue card in the pit, confirms his status as the best gag-spinner in the world. Not the best comedian, but the best wisecracker, with a deceptively accomplished back-up technique of slow burns, fades and looks that talk.

He sidles on like a spruce, slightly over-weight stork, leading with the back but, despite a few occasional flaps, never quite taking off. The wit is conciliatory ("I've never turned down a Command Performance—I still have relatives living in this country"), resigned ("At 75, I gotta watch myself—it's too exciting to watch anyone else"), rarely vicious ("You have to fly British Airways when you come to England or else Morley'll come and sit on your house") and frequently red-neck ("They're legalising homosexuality in LA—I'm getting out before it's compulsory.")

With that timing, that style and that whole career behind him, you can't help loving the fella, which is what the house did on Monday. Not, however, without letting Mr. Hope know that ethnic jokes do not travel; his Polish remarks are a British comedian's Irish. When the humour has a visual punch, the effect is miraculous, such as the tale of a neighbour on a pace-maker who, whenever he makes love, "opens my garage door". Mr. Hope is nothing if not



Trevor Humphries

restful, which virtue was doubly welcome after the hectic, metallic row of a black singer, evidently well known from *Roots*, called Leslie Uggams, who occupied the first half. Not all Miss Uggams' fault: the Palladium management persists in its crude way with amplification, conspiring to provide a terrible noise

punctuated only by such appalling banalities as Miss Uggams' astonishing claims that (a) Stevie Wonder is today's Fats Waller and (b) *Roots* has had a profound effect on everybody's life. You could have fooled me, but maybe Messrs. Wonder and Haley are too busy counting the shekels to care.

### New production of Sartre play at Leicester

The Haymarket Theatre, Leicester, is to present the world premiere of a new translation of Sartre's play *Les Mains Sales* under the title of *The Assassins*. This will be the first time that Sartre's play has been seen in the UK since

1948 when, despite its enormous popularity, both here and on the Continent, Sartre forbade its further production as a protest against its gross misinterpretation for political purposes. Frank Hauser's new translation has encouraged Sartre to

allow the work to be presented again. Directed by Michael Meacham the production will feature Robin Sachs as Hugo, Jon Laurimore as Hoederer and Heather Sears as Olga. It runs at the Haymarket from April 4-21.

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## FINANCIAL TIMES

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Wednesday March 28 1979

## Cynical to the end

IT IS still just possible that the Government will survive tonight's motion of no confidence in the House of Commons. The coalition of forces required to bring it down is such an unlikely one that the result must be in doubt until the last minute. Apart from the Conservatives, it consists of the Scottish Nationalists, the Ulster Unionists and the Liberals. None of these smaller parties have been exactly consistent in their voting habits in the past; nor is it clear that their leaders can control their own troops, such as they are.

## Epitaph

It is also true that the Government is living up to its recently acquired reputation for cynicism to the last. Measures to compensate the Welsh slate quarries for respiratory disease may be admirable in themselves. Indeed they were promised in the Queen's Speech last November. But it is the manner in which the Government is now trying to push them through that sticks in the gullet. The obvious question is why, if the Government believes in compensation for industrial diseases, it has waited till now to do something about it. In principle the question differs not one jot from that posed by the Prime Minister's statement on development last week: why, if the Government believes in the need for slippage in the need for slippage, did it not propose the idea before? The answer is that we now have a Government that is no longer capable of thinking beyond the next few days. If survival depends one week on buying the Ulster Unionists and the next on doing a deal with the Welsh Nationalists, the Government will try it.

That is no way to run a country. Nor, we would suggest, is it any way to run the Labour Party, which used to be known as the party of conscience and the party of ideas.

Yet even if the tactical manoeuvrings succeed once more and the Government survives tonight, the irony is that the problem could arise again and again. Mr. Callaghan's administration will be remembered as one whose latter stages were marked by a readiness to grant favours to alienated pro-

vided that it could remain in power. That at least will be the general impression. Mr. Callaghan's premiership used to deserve a better epitaph.

## Way out

In the circumstances there is only one honourable way out. The Prime Minister should declare—preferably during the course of his speech this afternoon—that if the no confidence motion fails, he will go to the country shortly in any case. It would have been better if he had made such a declaration after the Scottish and Welsh referendums four weeks ago instead of playing for time. But the chance to retrieve some dignity is still there if he takes it now.

The most obvious date for a General Election, in the event of a Government victory tonight, is June 7, the same day as the elections to the European Parliament. We have said before that we do not much like the idea of conducting the British and European campaigns simultaneously for the simple reason that the issues would tend to become confused. Yet the alternatives are not very attractive either. One is that the British electorate might be asked to go to the polls three times in the course of a few weeks—for the local elections on May 3, for the European elections on June 7, and for the General Election either in June or shortly afterwards. The worst alternative of all is that Mr. Callaghan should attempt to hang on until October.

## Dispute

It is to avoid that alternative that we hope that Mr. Callaghan will give us a firm indication of an election date in his speech tonight. He may still lose the vote tonight, in which case there can be an election within a few weeks. But if he does not, what is needed is an assurance that the period of doing deals with smaller parties in order to survive is coming to an end. We know what the Labour Party stands for, or at least we used to. The Government can fight an election on its record. Mr. Callaghan is in danger of bringing both the Party and the Government into disrepute. There is, in effect, no government left.

## A preview of crisis

THE MODERATES have had rather the better of the argument. Saudi Arabia has not yet made clear its policy on a surcharge on crude oil, nor have the United Arab Emirates. The other producers will raise prices by 18 per cent for the time being. It may appear extraordinary to describe this outcome as a victory for the moderates, but it is a fair summary of the outcome of the OPEC meeting in Geneva. It is bad news: it will add about one per cent to already rising inflation in the West, and reduce already faltering growth by perhaps the same amount. It could have been much worse, though. The more militant members wanted a bigger price increase, backed by an agreement to restrict production. There is no strict production agreement, and half the present increase is in theory temporary.

## Restraint

The fact that Saudi Arabia still seems to have exercised some restraining influence on the day after the signing of the Egyptian-Israeli peace treaty is somewhat reassuring, both in the context of future oil supplies and in the context of Middle East peace; the fact that the restraint has been far less effective than on some occasions in the past is a warning in both contexts. The Saudis not only feel considerably less friendly towards the U.S. and the West in general, but their domination of the oil market is far less effective than it once was. Since the Iranian crisis, it has no longer been true that the Saudis could virtually determine the level of oil prices by the level at which they chose to set their own production. They have recently been producing near the limits of their installed capacity, and that has not been enough to prevent acute pressures in the market.

Because the Iranian crisis has been the immediate occasion of the present rise, some people may be tempted to hope that the crisis will go away as Iranian production is resumed, and that prices will now stabilise. This is altogether too facile. The market was already becoming somewhat tight before Iranian production collapsed, and the growth of demand in consuming countries would certainly have produced a crisis of this kind within a year or two.

Since relations with the main producers have now cooled, and potential large producers of the

future, such as Mexico, show no inclination to rush into production for the benefit of their industrial customers, it is quite certain that similar shortages, and similar price jumps can be expected in future if oil demand continues to rise in the same way whenever activity picks up. What this means is that unless oil consumers can alter their behaviour, the future growth of output in the industrial countries will be constrained by oil supplies. Any coincidence of growth peaks in the major countries, or any unusually hard winter, will produce the same kind of stagflationary shock which we experienced in 1974, and are going to experience again on a smaller scale. The appropriate response, as the EEC Energy Commissioner, Count Guido Brunner, pointed out yesterday, is to produce an effective energy policy.

The fact is that we have not yet learned the lessons of 1973, and our education is likely to be repeated painfully until we do. In Europe it is at least true that oil and energy prices have been set at a level which has somewhat slowed the growth of demand in relation to real income. In the U.S. not even this has been achieved. Low prices still encourage real extravagance.

In this respect we may even come to regret the "moderation" displayed yesterday. It is not yet clear what it will take to shock Congress into a realisation of the vulnerability of the U.S. to the short-sighted policies. The Americans compound the economic folly of suppressing realistic price adjustments—always more dangerous and more inflationary in the long run than permitting them—and the strategic folly of increasing dependence on unstable and potentially unfriendly suppliers.

## Overdue

Britain will be equally short-sighted if it is imagined that our North Sea resources exempt us from the effects of general oil scarcity. What is bad for our export customers is bad for UK growth: what is bad for world prices is bad for UK inflation. The rise in Government revenues from oil will make it somewhat easier for a time to cut other taxes, and that is all. A national strategy to make the most of this windfall, and prepare for the day it runs out, is as overdue here as is an energy policy in the U.S.

THE U.S. and the Soviet Union have been "on the verge" of concluding a new treaty (SALT 2) curbing the build-up of their strategic nuclear arsenals for more than a year. Both have repeatedly stressed their desire for an early agreement in the interests both of promoting détente and of avoiding the expense and uncertainty of a major new arms race. Yet the final goal, however near it has sometimes seemed since the first SALT 1 Treaty expired in October 1977, has so far persistently eluded them.

The reasons are not hard to find. In the first place, some of the most controversial and technically complex issues, as in most international negotiations, have been left to the last. Secondly, both Washington and Moscow need to agree that the political conditions are right for staging the Carter-Brezhnev summit at which the treaty is to be formally signed.

There was no question, for example, of President Brezhnev going to Washington earlier this year in the wake of U.S. recognition of China. Subsequently President Carter has been absorbed in the Middle East peace talks. Now that the Israeli-Egyptian Treaty has at last been signed, Mr. Carter will certainly be aware of the attractions of following it up fairly rapidly with another example of successful high-level diplomacy.

## Outstanding issues

Senior U.S. officials now take the view that the most important piece of the jigsaw still to fall into place is the political decision by the Kremlin to go ahead with the summit. At technical level, agreement has been reached, or is near, on all the outstanding issues that have bedevilled the negotiations in recent months. Even the problem, identified by U.S. experts as the biggest remaining difficulty of substance—the definition of "new types" of missile—now appears closer to resolution following a recent Soviet compromise proposal. The long delayed summit could, it is thought in Washington, finally be held sometime next month.

Certainly the U.S. political process is going ahead as if a treaty were now virtually in the bag. In Washington, advocates and opponents of the Treaty are drawing the battle lines for a contest over its ratification that is likely to dominate the political scene for most of the rest of the year. Recent weeks, too, have seen the beginning of a drive by the Administration to enlist West European support—first, at the political level, during the four-power Guadeloupe summit in January, and more recently through the dispatch of senior American officials to Europe to persuade a wider range of opinion. Although the NATO partners of the U.S. were not directly involved in the negotiations between the two super-powers, it will clearly help

the Administration's case for ratification if it can show that they approve the outcome.

Broadly speaking, the case that the Administration will be arguing is that SALT 2 underpins the continuing deterrent power of U.S. strategic nuclear forces and maintains the concept of "stability"—meaning that neither side would gain an advantage by the use of nuclear weapons. The treaty, the Pentagon argues, confirms what has come to be known as essential strategic equivalence between the super-powers. Without it, according to one senior Pentagon official, the U.S. would need to increase defence spending by twice as much as its current target of 3 per cent a year, forcing a major diversion of funds from other policy priorities. The ensuing arms race would simply mean a senseless increase in the enormous overkill capacity that both sides already possess.

Supporters of the treaty argue that the sort of reduction of Soviet nuclear forces that it provides for can only be achieved by mutual agreement. The limits set for the number and destructive power of nuclear warheads at the very least give the U.S. some sort of guide on which to plan for the future. It is not denied that the U.S. will have to make a major effort during the period of the treaty to maintain the overall balance that it aims at.

At the political level, the treaty may not usher in a new era in U.S.-Soviet relations, but a rejection by the Senate could have profound and unpredictable consequences for the super-power relationship.

Against this, opponents of the treaty claim that by concentrating on limiting the numbers of missiles and other weapons on each side, the U.S. negotiators have done nothing to prevent a massive increase of the quality and destructiveness of Soviet weapons in the years ahead—just as Moscow continued its massive build-up during the period of the 1972 SALT 1 agreement. Far from maintaining the balance, its more hawkish detractors say, SALT 2 freezes the U.S. in a position of strategic inferiority.

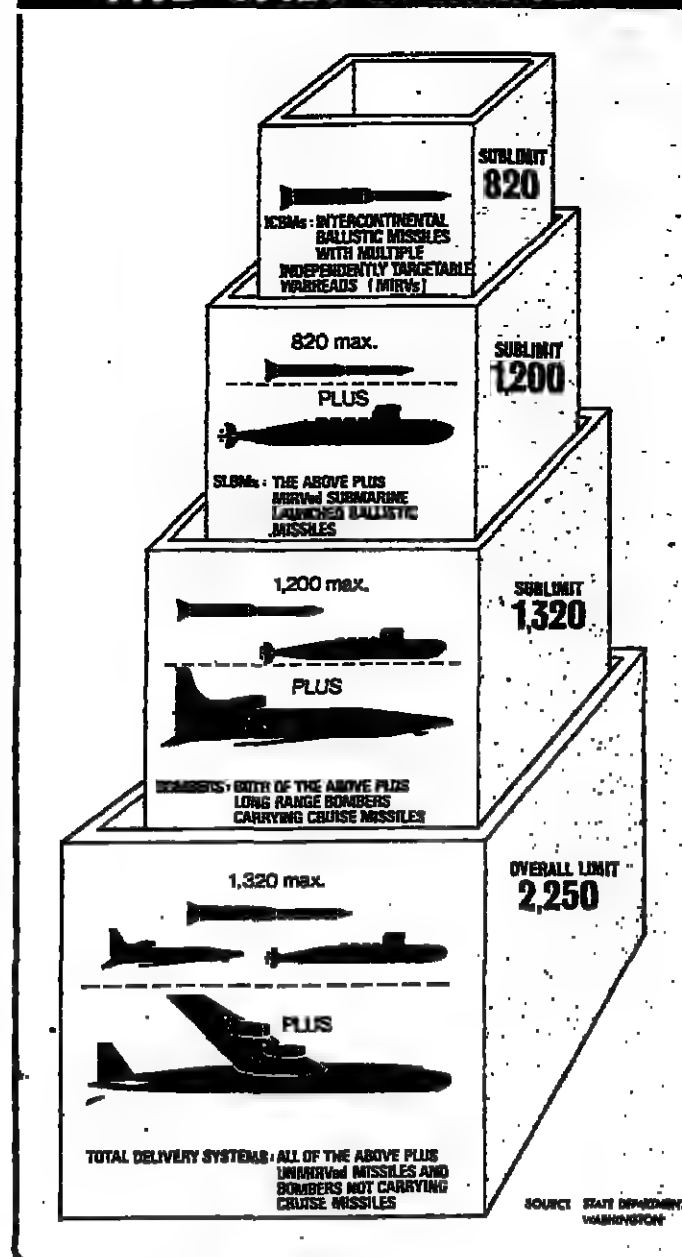
Defenders of the treaty in the Administration claim that hitherto they have been severely handicapped by the fact that the 90-page text cannot be published until it has been signed. They are thus unable to use chapter and verse to refute the arguments of their opponents. It is true that details remain classified in many sensitive and controversial areas—restrictions on the Soviet Backfire bomber, for instance, and the whole question of verification. But the broad outlines of the agreement have been public knowledge for some time.

The bulk of the agreement is contained in the treaty itself, which will run until December 31, 1985. This initially limits each side to 2,400 strategic nuclear weapons, whether land, air, or sea launched. That total is subsequently to be reduced to 2,250. The Soviet Union, but not the U.S., will have to dismantle

## Decks almost clear for a SALT 2 treaty

By REGINALD DALE, European Editor.

## THE SALT 2 LIMITS



250 to 300 systems, probably by the end of 1981, to conform to the limits.

There will be a series of sub-limits specifying maximum levels for various types of weapon (see chart) and neither side will be entitled to introduce more than one type of new missile to replace obsolescent systems.

Attached to the treaty there will be a protocol, expiring in the early 1980s, setting limits to the deployment of mobile missiles, land-based rockets that are moved around a series of different launching sites, and Cruise missiles, the land-hugging pilotless drones designed to fly under air defences. Thirdly, there is to be an agreed set of principles for the conduct of the next round of strategic arms negotiations (SALT 3).

The provisions of SALT 2 do not directly involve Europe. In the sense that they only cover long-range strategic weapons based on the territories, or the ocean-going submarines of the two super-powers, U.S. negotiators take considerable credit for having resisted Soviet attempts either to include the

British and French deterrents as part of the overall American total or to compensate for them elsewhere in the agreement. Nevertheless there are a number of major reasons for concern in Europe.

One specific fear has long been that the U.S. might bargain away the right to transfer Cruise missile technology to its allies as part of the overall package deal with the Soviet Union. On this the Europeans now feel much reassured. While the Americans have agreed, at Russian insistence, not to "circumvent" the treaty via "other parties," they have rejected Soviet demands that transfers of Cruise missile technology be specifically ruled out. The Administration has on several occasions publicly stated that this lets it continue co-operating with its Allies in modernising Nato nuclear forces. It admits that Moscow may vigorously object and that the solution represents a compromise, but it plans to go ahead anyway. If European countries decide that Cruise missiles are essential for their future defence, a related and more serious

European anxiety is that the 600 km range limits on ground and sea-launched Cruise missiles contained in the protocol may be prolonged when the protocol expires, negating most of the effectiveness of Cruise. The Administration's answer is that the protocol provisions, which also affect deployment of the planned new U.S. mobile missile, the MX, are not going to be extended without full consultation in the alliance and the approval of Congress. It is virtually certain, however, that Moscow will bring severe pressure on the U.S. to extend the protocol.

An even more fundamental worry concerns the continuing credibility of the U.S. nuclear umbrella over Europe. It has not escaped the notice of Europeans that SALT 2 does nothing to alter the high probability that the American land-based Minuteman missile force will become vulnerable to a Soviet first strike in the early 1980s—before the MX can be deployed. This raises the question of how far Washington would be prepared to use, or sanction the use of, battlefield nuclear weapons to defend Europe against a conventional attack—in the knowledge that its main ICBM force could be wiped out in retaliation.

Even those in Europe who believe SALT 2 can ensure strategic super-power co-existence are far from fully reassured. The fear, particularly strong in West Germany, is that a balance at strategic level will only serve to point up still further imbalances at other levels, whether conventional, or nuclear. If "stability" means that neither super-power will attack each other's territory with strategic forces, what is to prevent the Soviet Union using local superiority in the European theatre for an attack on Western Europe? In addition to its vast conventional superiority in Central Europe, the Soviet Union is rapidly reducing the West's advantage in theatre nuclear weapons, hitherto seen as the primary deterrent against a conventional attack.

European unease, again particularly in West Germany, is made worse by the growing strength of Soviet intermediate range nuclear weapons, especially the SS-20 mobile missile and the Backfire bomber, now targeted on West Europe (and China in the East). There is no counterweight to them on the Western side. This raises a major dilemma. If, as few Western strategists would favour, the West tried to match the Russian intermediate systems with weapons of its own based in Western Europe, it might give the impression that a tit-for-tat exchange could take place in Europe without triggering the U.S. strategic deterrent. If, on the other hand, the West does not match the Russian weapons, it deprives itself of a potential bargaining counter for negotiating the removal in future arms control discussions and increases the danger of a "nuclear blackmail." An offer not to deploy new

(as yet non-existent) weapons in exchange for dismantlement of the SS-20s, as some have advocated, is unlikely, on past experience, to be taken very seriously in Moscow.

What seems most likely is that the West will decide that some counterweight is required to the SS-20, though falling well short of a one-for-one matching of the Soviet weapons. The possibilities include Cruise missiles, an extended range version of the American Pershing, already deployed in Western Europe, and, in the longer term, a completely new medium-range ballistic missile.

But where would such systems be based? West Germany is adamant that it will not be the only country to accept new nuclear systems—albeit American-controlled. But it is difficult in the present political climate to imagine any other NATO country welcoming them on their territory. President Brezhnev has already publicly indicated that the Soviet Union will launch a propaganda drive against new weapons along the same lines as the successful Russian campaign against the neutron bomb. NATO planners are hoping to defuse opposition by stressing that all that is involved is the "modernisation" of NATO's existing nuclear armoury, an approach that is perhaps too obviously disingenuous.

The discussion of these issues will intensify in the months ahead as SALT 3 looms closer. SALT 2, unlike its two predecessors, is meant to cover weapons based in Western Europe targeted on the Soviet Union and those in the Soviet Union capable of striking Western Europe. Moscow will insist more strongly than ever on counting in the French and British deterrents. It may be that the Europeans will conclude that without a counterweight to the SS-20 and the Backfire they cannot negotiate a reasonable deal with Moscow. France has in any case firmly declined to participate.

## Closely-knit framework

If the other European allies want to be involved, a new, more closely-knit framework will have to be worked out for consultations with Washington. Ideally, from Washington's point of view, the Europeans will find some way of speaking with one voice, or at least fewer voices than in the past. One of President Carter's aims at Guadeloupe was to explore such new channels.

It is high time, Washington believes, that the Europeans began concentrating more sharply on the problem. SALT 3 will be getting under way as soon as SALT 2 is ratified. One task of the American envoys touring Europe to promote SALT 2 is to press this point home. As one of them recently told a European audience: "We don't have time toounder around endlessly."

## MEN AND MATTERS

## Making peace in West One

While the headlines celebrate the new-found concord of Egypt and Israel, it looks as if it will be some time before their ambassadors in London get round to even meeting properly. The Egyptians are quite certain that their man Sami Anwar, has never even seen his opposite number: but Israeli diplomats assure me their ambassador, Abraham Kidron, once shook hands with him outside the office of David Owen. "It was really nothing spectacular."

Anwar was appointed in 1978, nearly two years before Kidron. And protocol would therefore demand that the Israeli make the first move. But no one is hurrying. Israeli sources said the Foreign Ministry had not encouraged an immediate move: "If the Egyptians would like to make some signal then we would be delighted. On the other hand we would not like to press them. We understand their sensitivity."

"It's in the best interests of both of us to keep things quiet," an aide at the Egyptian Embassy told me. He appeared to rule out signals of any kind being made in the immediate future, although Lord Janner, chairman of the British-Israel Parliamentary Group, yesterday called on the Egyptian Ambassador for a talk he described as "most friendly." Janner is also president of the Zionist Federation of Britain and Ireland.

Both sides are speculating on how things will develop on the "lomatic cocktail party circuit." The Egyptians, particularly, are no doubt disturbed by the thought of receiving the same treatment—a turned back—as regularly meted out to Israelis by Arab diplomats.

Yesterday, Anwar took a break from pondering such knotty problems—by watching a soothing film about Tutan-



"This should do the trick—it's their wages"

## Aerial defence

Concerned to appear democratic, or perhaps, impartial, or not really responsible for what may follow, the U.S. Air Force is conducting a survey into whether servicemen should be permitted to carry umbrellas.

Curious as it might sound, this question has been exercising military minds for some time. Last November their air force told its 1,700 uniformed employees at the Pentagon they could arm themselves against the weather, provided their weapons were blue or black and not flashy.

A questionnaire has now been sent to these brollyferous persons soliciting their opinions about whether they have experienced any special problems salting, or feel the new style detracts from the "combat-ready image."

The replies are to be fed into a computer next month and quite what may emerge is not clear. But Senator William Proxmire, self-appointed scourge of public waste, has already awarded the \$3,000 survey this month's Golden Fleece Award.

## Status symbol

Even if Britain has not done too well lately at increasing actual output, at least we can claim to lead the world in extending the concept of productivity—the feeling that we are all in the national struggle.

Take, for example, the advertisement seeking a new area secretary in north-west England for the Electrical Power Engineers' Association. The post offers a salary of up to £8,436—with more in prospect, plus a car allowance. Part of the money, explains the advertisement, is that fashionable device for giving the lads a little extra, the "self-financing productivity bonus."

I telephoned John Lyons, general secretary of the association—which, is of course, a trade union. How was the new area secretary going to finance part of his salary by extra productivity? The work was described as addressing meetings, presenting wage claims, conducting committee meetings: so would he be talking more, bargaining harder, drawing up longer agendas?

Lyons was not well pleased with these innocent questions. After some silence he said: "I'm just staggered." He then asked to talk off the record.

When I said I should like to try it on the record, he rather tersely explained that all power engineers got a self-financing productivity bonus; if the person appointed came from within the industry, he would not like to be without one. While I was pondering on the semantics, Lyons rounded off our talk by revealing his own sense of deprivation: "But I don't get one."

## Beyond a joke

Roy Hattersley, the Prices and Consumer Protection Secretary, is behind the most mystifying Press announcement for many a year. This tells all importers, wholesalers and retailers of "novelties" that he proposes to make an order banning any

article "designed or intended to afford amusement to any person by causing discomfort to any other person." There then follows a description of exemplary vagueness, ten lines long, about the nature of these articles.

Hattersley's department was as guarded as the announcement, but just a hint was dropped that some new kind of stink bomb might be involved. So a round of joke shops seemed likely to put me on the scent. They were not helpful. A manager in Kensington said he had been selling stink bombs for 20 years, the stink had never changed, and he was not going to tell me where they came from in case I was really somebody, trying to get into the joke shop business.

Finally, at a joke shop near the British Museum, I ran the quarry down. There have been consignments of small teargas bombs coming into Britain from West Germany. They are of the type, I was told, "which white people use in South Africa to protect themselves against the Africans."

The man near the British Museum had his own views as to why there was an anxiety to ban them: "Students might start buying these things to use in demonstrations."

## Mimic mushroom

While the U.S. is having trouble with keeping atomic bomb recipes out of print, the Chinese are showing the way to making imitation A-bombs from bamboo and old iron. This handy item has been devised by Squad Leader Meng Teyun, of the "Hardbone Sixth Company" of the People's Liberation Army.

During a training programme, Meng set off his "bomb" which was stuffed with bamboo explosives. Says Peking Radio, it gave off "electron radiation, heat waves, and a gloomy mushroom cloud." The Hardbone fighters were suitably impressed.

## Meet the Peterborough People



Peter Brotherhood, precision engineers, moved here from The South Bank in 1906 to make way for London's new County Hall. My grandfather moved with them, and I'm continuing the family tradition. I trained as a toolmaker and now help sell products like these all over the world. I'm pleased grandfather came to Peterborough—I enjoy it. Roger Pettican

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Observer



## Spanish Banking and Finance

Following the outcome of the recent general elections, there has been a new surge of relief and confidence among Spain's business community. Important changes are also taking place in the Spanish banking and financial system, since the State is trying to be less interventionist.

Business  
climate  
much  
improved

Robert Graham  
Correspondent

A sudden switch from winter to summer, the climate in Spain's business opinion has changed. The atmosphere of gloom and pessimism so dominant before the March 1 elections has been replaced by the result. A relatively strong showing for the Adolfo Suarez Union de Democristianos (UCD) as both a relief and a surprise. Although UCD has 68 seats in the Lower Chamber, it is short of an absolute majority. Sr. Suarez will be sworn in as premier without directly involving any of the minor parties. It is this prospect of a government headed by a going premier Sr. Suarez that is at the basis of the confidence.

elections of June 1977 it was notable how a large section of business, especially the big banks, did not support UCD and Sr. Suarez.

Instead, they chose to see the country's future in the hands of one of the heirs of the Franco days, Sr. Manuel Fraga and his Alianza Popular (AP). This time this vote went largely to Sr. Suarez and UCD, resulting in the disastrous showing of Sr. Fraga's electoral alliance, Coalicion Democratica.

Precisely because the business community staked its future on Sr. Suarez' success it was the most nervous about the outcome. At one stage during the campaign it was feared that the Socialists might win, and, despite the mild campaign platform, would immediately embark on a programme that directly attacked the privileged position of capital.

One of the share prices to rise quickest the day after the election result was that of the utilities. The sole nationalisation foreshadowed by the Socialists had been that of the high-tension electricity power lines.

But this was seen as the beginning of an attack on the utilities themselves, one of the citadels of traditional Spanish capitalism in which all the major banks and prominent families have shares. So there is a strong element of relief behind the front of confidence.

Even discounting this, it is significant that the Doodsday philosophies on Spain's stability are being shelved by this vital section of the community. In the surveys on Spain written over the past 18 months a recurrent feature has

been the lack of business confidence.

The election results do not mean that Spain will show a quick pick-up in private investment and the worst of the recession is past. Simply, the business climate has improved to a point where the Government in drawing up its economic strategy can count on greater enthusiasm from the private sector.

In fact, to be realistic, none of the problems has been solved. Solutions to the fundamental issues of inflation and unemployment have been made more difficult—and certainly delayed—by the long period of politicking.

All last year the economy, officially designated as the priority, was subordinated to elaboration of a new constitution. This was no sooner out of the way last December, overwhelmingly endorsed in a referendum, than Sr. Suarez opted for general elections. This decision had two side effects.

The possibility of a renewal of the Moncloa pact disappeared. This package of political and economic measures agreed in October 1977 by all the major parties as a form of social contract had been the umbrella under which all government policy had been conducted. New wage negotiations were thrown to the employers and the trades unions with the casualness of an owner tossing a bone to his dog.

A wage ceiling of 14 per cent was imposed by decree. But it was half-heartedly done. The government realising that the sole sanction was the unions' desire not to appear irresponsible to the electorate with an election in the offing. The unions, however, felt obliged to

BALANCE OF PAYMENTS			
	(1977 figures in \$m)		(1978 estimate, \$m)
Trade	Receipts 10,610.9	Payments 16,831.4	Balance -6,220.5
Services	Receipts 6,458.0	Payments 4,086.7	Balance 2,371.3
Tourism/Travel	Receipts 4,020.3	Payments 334.1	Balance 3,686.2
Property	Receipts 351.5	Payments 1,113.8	Balance -762.3
Technical assistance, Royalties...	Receipts 59.0	Payments 387.4	Balance -328.5
Transfers	Receipts 1,558.2	Payments 406.5	Balance 1,151.7
Current account	Receipts 18,825.1	Payments 21,274.6	Balance -2,449.5
Long-term capital	Receipts 5,445.2	Payments 2,489.8	Balance 2,955.4
Public	Receipts 1,581.9	Payments 305.1	Balance 1,276.8
Private	Receipts 3,863.3	Payments 2,184.7	Balance 1,678.6
Investments (a)	Receipts 1,024.2	Payments 591.0	Balance 433.2
Loans, credits (b)	Receipts 2,839.1	Payments 1,593.7	Balance 1,245.4
Balance	Receipts 24,270.3	Payments 23,764.4	Balance 505.8

Source: Ministry of Commerce

make a stand in the first set of negotiations they had conducted on their own. The employers for their part felt obliged to protect their balance sheets.

So Spain over the past three months has seen widespread industrial action in every sector and at least 15 per cent of the wage agreements so far concluded either directly or indirectly infringe the norm—including that for the state railways which was one of the first.

The second effect of Sr. Suarez's decision was to put everything in abeyance. All Government decision-making ground to a halt. The Government's macro-economic projections for 1979 and the Budget ceased to be taken seriously pending the conclusion of the general elections. This time-scale has been extended one further month by the holding of the municipal elections.

Even though a new cabinet is expected to be announced in

early April, Government programmes will not be fully reassessed and the administration functioning properly until the beginning of the third quarter. So Spain will have lost six months of valuable time in return for gaining four years of reasonable political certainty.

To what extent this will prove to be a short-term loss against a long-term gain remains to be seen. The best one can say is that the long-awaited recovery in the economy has been postponed yet another six months, increasing the already serious cash-flow position of industry. But the atmosphere has now been created in which when the recovery occurs it will stand a better chance of taking root.

At present, industrial inventories in many sectors are as low as at any time in the past three years and housing starts continue to decline. Industrial capacity is only 80 per cent used. An important element of this is sustained by exports,

which continued in 1978 to sustain dynamic growth of 28 per cent at current prices (against a 6 per cent rise in imports).

The government's economic strategy before the elections had been to aim for a modest increase in growth, up from last year's 3 per cent to 4.5-4.8 per cent. This was based on the need to contain any further rise in the nation's unemployment.

The main stimulus here was to come from a sharp increase in public sector investment in an attempt to offset 1978's 4 per cent decline in gross investment. Ordinary budget expenditure was planned to increase 20 per cent.

By continued tight control of the money supply, keeping it at around 17.5 per cent, and pegging wages to a band between 11 and 14 per cent, it was hoped to reduce inflation from 17 per cent to below 12 per cent.

The substance of new government economic policy will not

alter very substantially, based on the twin pillars of control of the money supply and control of wages. There is only a limited number of options, the principal one being the extent to which the government is willing to reflate.

But here too the government is not so free. The January consumer price index revealed that latent inflationary tendencies had again reappeared. On the basis of the figures for this month and December Spain will have an annual inflation rate of almost 17 per cent, almost unchanged and double that of the EEC countries.

Last year's achievement in cutting the inflation rate from 27 to 17 per cent was notable. Yet there was a certain sleight of hand about this. A number of important price increases, especially in the energy sector, were deliberately postponed.

Meanwhile, a notable appreciation of the peseta against the dollar, the main traded currency, helped reduce inflation. Now the Government is going to be forced to increase domestic energy prices, probably across the board, in the light of the OPEC increase and in the new pressures on prices resulting from the situation in Iran.

A new round of negotiations on base agricultural prices is under way which looks like adding another annual 14 per cent to the food bill. Added to this there are doubts about the impact of the wage agreements (a) if they will force an average that is above the norm decreed and (b) if they can hold in the event of inflation continuing as it does.

Much will depend too on the position of the peseta. At present the peseta is uncomfortably strong, buoyed up by an unprecedented external position. Spain's reserves in February touched \$10.4bn. Although external debt stands at \$14.7bn, Spain has been able to accelerate debt repayments, including paying off the \$1bn Kingdom of Spain loan of 1976.

The Euromarkets are impressed by the way in which the current account balance switched from 1977's \$2.4bn deficit to a balance of about \$1.2bn at the end of 1978. This was thanks to exceptional earnings from tourism and foreign investment plus the country's export performance.

### Forecast

In November and December the Bank of Spain was forced to buy substantial amounts of dollars to hold down the peseta in its semi-clean float. The authorities in fact are prepared for a modest depreciation of the peseta in the latter part of the year, and most bankers believe this will happen.

But this is based on the premise that the recovery will have begun, that imports will pick up and domestic production will have started to turn more to the domestic market. It is also a premise that suits the exporters, who would like an appreciable devaluation.

What happens if the process of recovery—financing new stocks, taking on extra personnel, expanding capacity—does not happen this year but gradually over the next 18 months?

CONTINUED ON NEXT PAGE

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March 1979



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## SPANISH BANKING AND FINANCE

# Temporary controls become embedded

TEMPORARY INSTITUTIONS have an uncomfortable habit of becoming permanent. The Corporation Bancaria — the "bank hospital" — was formed last February by the Bank of Spain, in partnership with all the other Spanish banks, as an expedient to take over the activity of banks in difficulties.

It was an ad hoc arrangement and neither the Bank of Spain nor the private banks were particularly enthusiastic about it. Since then, Corporation Bancaria (CB) has been caught up in the logic of its own creation. Banks in difficulties have not been allowed to go to the wall because of a mixture of political pressures and considerations for the stability of the banking system.

As a result, the CB has now taken over five banks, and has begun to take root as a phenomenon of the Spanish banking system.

It is a measure of the banking system's narrow-mindedness that little was done to contemplate the practical consequences of bank failures until 1977. In November that year, a decree was approved establishing a special guarantee fund for depositors to which all banks were obliged to contribute. The main provision of this decree was that all private depositors would be guaranteed immediate cover for sums up to Pta 500,000.

### Ratio

But the decree made no effort to deal with the broader problems created by a bank collapse. For instance, existing legal provisions were not altered so that banks remained — as juridical persons — little different from, say, a textile company in the eyes of the law.

These legal provisions only contemplated action once an entity (including a bank) had made an application for a temporary suspension of payments. This technical move arises when the ratio of debts to assets reaches beyond a certain level but is a step before bankruptcy. In the case of a bank where confidence is so important, any hint of a move to apply to suspend payments would almost certainly prejudice efforts at recovery.

It was therefore judged better, both for the bank affected and for the banking system as a whole, to avoid a bank being forced to declare a suspension of payments — which in normal commercial cases is either the first towards restructuring or less frequently, establishing bankruptcy.

The instrument devised was the CB, created with a Pta 500m capital shared 50-50 between the Bank of Spain and the then 108 private banks. The CB does not have the initiative to intervene: the negotiations on whether or not a bank is taken over by the CB are carried out by the bank affected with the Bank of Spain, which, in turn, consults other banks.

The Bank of Spain has on occasions been under Government pressure to permit the CB to act. This was the case of the Banco de Valladolid, last December, and the Banco de Granada, in January. For instance, the Government sought to avoid the political consequences of a collapse of Valladolid days before the constitutional referendum. The moment that the CB takes over, it moves in its own staff and guarantees to save the bank, protect depositors and employees, plus to cover all obligations "validly contracted". The bank retains its separate identity.

Initially, the CB paid a nominal peseta per share and agreed to accept the findings of an independent accountant if it could be proved that goodwill had a value beyond the nominal peseta.

However, this practice was discontinued after the first bank, Banco Cantabrico, was admitted. The CB has not bought out all the shares of any banks it has taken over, instead it has merely obtained the majority, a percentage which has varied accord-



There is a new mood of confidence among Spain's business community following the outcome of the recent general elections. Spaniards, above, are seen outside a polling place, checking their names on the listings posted on the walls, while others stop to ask directions.

ing to the individual size of the main shareholders' equity. Thus, the CB holds 60 per cent of Cantabrico, 51 per cent of Granada, 70 per cent of Valladolid, 80 per cent of Banco Meridional and 63 per cent of Credito Industrial.

The CB has sought to avoid having to cope with quarrelsome shareholders, believing their equity has a higher than nominal value.

The banks taken over are considered a sufficiently bad risk by the rest of the banking community as to be refused any type of commercial absorption (even with the offer of Bank of Spain assistance). But the hope is that the banks can be brought back into profitability and then sold off commercially.

This is a formidable undertaking. It has taken between two months and over one year just to regain the level of deposits enjoyed by the banks prior to their collapse. Cantabrico, for instance, lost up to 35 per cent of its deposits.

### Cause

In one sense, a run on deposits has not been so detrimental. A prime cause of these banks' difficulties was offering depositors rates of interest well above market rates. They thus attracted hot money which they could ill afford to retain.

A more fundamental problem for these banks' independent future is one of image. The banking community is at one in agreeing that the demise of these five banks was primarily attributable to bad management — concealed by the boom years of the late '60s and early '70s, yet exposed by the recession that began in 1975 and the credit squeeze that began in 1977.

The boom atmosphere encouraged over-rapid expansion and landed the banks with high fixed costs. It is reckoned, for instance, that a new branch requires up to four years to become viable.

When the recession began to bite towards the end of 1977, the cost of financing rapid branch expansion rose sharply. Meridional, when taken over last spring, had only paid Pta 2.6bn of the Pta 4bn purchase price agreed two years previously.

Rapid expansion also extended the banks' human resources. Many scarcely qualified persons were employed. According to a well-placed banking source, two-thirds of the personnel employed in the banks taken over by the CB had less than three years' banking experience.

Such lack of experience tended to increase problems of competent credit control. For instance, there was little attempt to classify debts or make provision against doubtful debts. Thus bad debts still figured in the balance-sheet as assets.

Apart from this, there was

alleged to be widespread malpractice. Legal proceedings have been begun against two executives of Cantabrico for alleged "falsification of documents" and against a director of Meridional for alleged fraud.

The most serious case of alleged malpractice has not involved a bank inside the CB. The Banco de Navarra was struck off the Register of Banks in May, 1978. Navarra was, in fact, the first of the current series of problem banks whose weak or bad management has fallen foul of the recession and the credit squeeze.

### Concern

In January, 1978, the Bank of Spain was obliged to step in and stop all Navarra's transactions after growing concern was voiced about the bank's debts on the inter-bank market.

Navarra's complex tangle of transactions, especially loans to companies with which its main shareholders were linked, are still being unravelled.

Navarra is believed to have piled up some Pta 3.6bn worth of debts on the inter-bank market alone.

Overall, the business of the five banks absorbed into the CB represents around one per cent of the total. Thus, the impact of their problems, combined with that of Navarra, has been more at the level of confidence. The image of banking suffered, although by prompt action much potential damage has been limited.

Arguably, the banks are the ones more concerned about loss of image than the public at large. In this respect the most potentially damaging instance concerned the medium-sized family owned bank, Banco Coca. The country's largest bank, Banesto, had agreed with the Coca Board in December, 1977, to merge, but these merger discussions were incomplete before Banesto was obliged in June to take over administration of Coca.

The more sanguine among Spanish bankers realise that the unpleasant shocks provided by these events are for the long-term benefit of the system. This assumes, of course, that the authorities can draw the necessary conclusions and improve (a) the degree of control (b) management (c) the legal system. The least advance has been made on the latter issue.

The law still contains large loopholes, especially on the question of dealings between banks and affiliates. But on the questions of control and management, there has been change, though small as far as management is concerned. The Bank of Spain has beefed-up the number of its inspectors and has adopted a much more rigorous interpretation of its own policies.

The most controversial, though welcome, intervention of its own powers was the issu-

ing of a circular in December that fell little short of a call to order. The commercial and industrial banks were reminded in tough language of the need to value professional standards and observe proper accountancy practice in presenting balance sheets.

Suspecting that banks had been indulging in window-dressing to present favourable balance sheets to shareholders, the Bank of Spain was particularly concerned that adequate provision be made for doubtful and bad debts. The circular, now nicknamed "The Pastoral", pointed out that banks should observe 1974 legislation that laid down the ratios between capital and resources and the amount of deposits taken.

Stricter norms were also introduced by the circular on accounting for doubtful debts. Banks must now provide 25 per cent cover for those debts over six months in arrears. This follows a sliding scale to 100 per cent for debts over two years in arrears.

The Bank of Spain further insisted in the circular that assets be valued at cost and expressly forbade the practice of selling shares — usually to a shell company — at a profit, which are then bought back at an inflated price to raise their book value.

### Inspectors

In addition, when quoted share values decline (which has been the case over the past three years), the banks must set aside 5 per cent of net profits as a provision. A major problem here is that many shares are not quoted and their real value is often difficult to determine by inspectors.

The circular does not have the binding force of law but has the effective authority of law. On the one hand, it is intended to provide the Bank of Spain with full justification for sanctioning banks that have poor management and lax accounting. On the other hand, it is hoped to have the positive effect of stimulating greater disclosure, something which, as a few banks are very bad at doing.

Naming names is invidious but only one of the major bank tries to provide extensive information about its activities — Banco Popular.

Popular provides shareholders with consolidated accounts and extensive documentation based on Bank of America guidelines. Additionally, it gives shareholders a special technical analysis and a detailed commentary on the main themes affecting the bank and banking during the year. The bank is alone in this and it was no accident that Popular provided the head of the Corporation Bancaria.

Robert Graham

## Business climate

CONTINUED FROM PREVIOUS PAGE

We could then see the phenomenon of the past year or so: earnings from tourism will continue to rise, foreign investment will do the same, imports will hold steady and reserves will accumulate.

It is a moot point what the authorities should do with these reserves, which cover 60 per cent of Spain's import bill.

In all this a vital component will be the Government's handling of credit policy. If the election result has changed anything, it has strengthened the hand of the private sector in its demands for a more equal

share in the supply of credit.

Last year was the most difficult in banking history, in good measure due to the way in which the credit squeeze was applied to the private sector.

Before the elections the banks had been doubtful about government promises that private sector credit would increase by 16.5 per cent (against 10.5 per cent in 1978). These doubts have disappeared and there is a feeling that the Government will act for itself, as in the Moncloa pact, to a fixed figure for the money supply, but will want to be more flexible to

react more effectively in the event of a recovery. A slight loosening in the credit squeeze is likely.

Greater availability of credit obviously will be a stimulus. Yet the real stimulus will come from another quarter. Private capital in Spain is not going to commit itself to major new investment without a change in the existing laws that govern hire and fire of labour.

The employers say that the existing rigid laws of the Franco era must be replaced by more flexible guidelines or the incentives to invest are of little

value. The government realises this and now must tread an exceptionally delicate path. The election result has identified the Government firmly in trade unions' eyes with big business. Sr. Suarez himself has hinted in private that he does not want to rule in future via social contract in Moncloa. If this policy is followed Sr. Suarez will not therefore have the support of the union's main protagonists — the Communists and the Socialists. He therefore risks a confrontation with labour which could be both politically damaging and economically dangerous.

هنا من الأمل



# Commercial banks dominate system

THE SPANISH banking and financial system is a curious hybrid. It is dominated by the commercial banks which, unlike those in France or Italy, are in private hands.

The commercial banks tend to loom larger than life both because there are relatively few financial institutions outside banking and because they have important equity interests in industry and the services sector.

Nowhere else in Europe do the commercial banks enjoy quite such a powerful position. The banking system as a whole is even more powerful if one includes the savings banks, the *cajas*, which are a major source of finance in the face of a weak Stock Exchange and the absence of an effective money market. But this power is deceptive. The whole system is subject to strong State controls. These are most evident in the artificial fixing of an important slice of interest rates by obliging the banks to set aside a high ratio of deposits for State selected investments—the so-called “privileged circuits,” named after the privileged rate at which the recipient obtained the funds.

Interest rates are further controlled through the presence of the Instituto de Crédito Oficial (ICO) which disburses official credit either directly or through its affiliated banks dealing with industry, construction, agriculture and local affairs.

## Squeeze

The commercial banks have been powerful so long as their interests and those of the State were common—as was the case in the boom years of the 'sixties and the early 'seventies. But the recession of the past three years, the advent of democracy and the credit squeeze of the past two years has shown that the State's needs and those of the banks are not necessarily the same.

Ironically, it is now—when the State is trying to be less interventionist and liberalise the system—that the banks have begun to realise the extent to which they have always been controlled.

The changes now taking place are slowly making the system less hybrid, more homogeneous and certainly more in line with the rest of Europe. The recession and the consequent rise in bad debts has brought home the

SPAIN'S "BIG SEVEN" BANKS																
Figures in Pta bn.																
	Banesto		Central		Hispano		Bilbao		Vizcaya		Santander		Popular		Total Banking System	
	1977	1978	1977	1978	1977	1978	1977	1978	1977	1978	1977	1978	1977	1978	1977	1978
Loans .....	179.2	244.5	105.6	159.1	163.7	167.7	142.9	164.7	116.7	138.8	89.2	94.2	57.9	68.0	1,733.9	1,933.5
(Term) .....	(100.9)	(150.1)	(47.1)	(80.6)	(77.6)	(72.2)	(85.3)	(113.2)	(68.1)	(85.3)	(43.7)	(58.1)	(39.4)	(52.7)	(1,061.6)	(1,209.4)
Deposits .....	524.4	690.2	487.7	640.9	495.3	591.7	386.0	466.2	282.7	338.9	288.1	335.1	198.1	(112.1)	4,382.7	5,220.3
(Site) .....	(205.7)	(229.5)	(198.0)	(249.1)	(195.4)	(218.8)	(153.6)	(171.5)	(129.4)	(146.8)	13.3	15.4	8.9	8.9	(1,771.3)	(1,991.8)
Capital .....	24.2	22.2	18.7	26.3	18.8	20.9	17.7	17.7	11.2	11.2	11.6	18.8	9.6	11.8	250.1	275.1
Reserves .....	25.3	30.9	20.9	26.2	20.4	22.1	17.3	22.4	11.0	13.4	—	—	—	—	218.5	263.3
Source: CONSEJO																

Source: CONSEJO

need for good management. Scarce credit and high interest rates have squeezed the commercial banks out of medium-term lending, while the industrial banks (the nearest equivalent Spain has to a merchant bank) have moved into commercial banking and some are openly calling themselves “mixed banks.”

In this situation, the official credit institutions are becoming more active yet are being forced to fund at least one-third of their needs on the open market while the State still stage-manages a huge slice of credit through the privileged circuits.

The role of the *cajas* is treated in depth elsewhere in this survey. Suffice here to say that one important effect of reducing the percentage of deposits the *cajas* are obliged to place for State-selected investment has been to make the activity more like ordinary commercial banks. These non-profit-making regionally-based savings institutions play a role as significant as building societies in the British financial system.

The *cajas* now account for just under 35 per cent of total deposits in the banking system and their credits last year grew almost three times as fast as the commercial banks.

A significant feature of the banking system is the way in which a handful of large banks with national networks dominate a plethora of medium-sized and purely local or regional ones.

At the end of December, the capital and reserves of the entire banking system stood at Pta 538bn. However, seven banks accounted for just over 51 per cent of this total. Put another way, 93 per cent of the commercial and industrial

banks provide less than 50 per cent of the systems capital and reserves.

The “big seven” are: Banesto, Bilbao, Central, Hispano-Americano, Popular, Santander, and Vizcaya. Together these banks are responsible for absorbing 63 per cent of commercial bank deposits, and for supplying 47 per cent of credits.

By virtue of their size, three of these big banks stand out—Banesto, Central, and Hispano-Americano. The latter, it is worth underlining, has an important cross ownership with the country's leading industrial bank, Banco Urquijo.

## Changes

As the system becomes more sophisticated, the monolithic facade of the big seven is gradually disappearing. “La Gran Banca,” or the so-called Bunker, deprived of the Francoist State and confronted by a measure of liberalisation, is a different animal from five years ago. The banks have their own separate identities and are going their separate ways.

The leading three have shown the greatest penchant for absorptions. Hispano, in 1977, bought up two medium-sized banks, Gijón and Mercantil Industrial, to consolidate its national position. Last year, both Banesto and Central took over two of the biggest medium-sized family controlled banks—Banco Coca and Banco Iberico, respectively.

The latter mergers highlighted a seeming obsession with ranking. The banks are ranked according to their deposit base, number of offices and capital. In order to retain its place as the leading bank in the country, Banesto precipitously decided to merge with Coca in December, 1977.

The decision followed an announcement by its rival, Central, that agreement had been reached on absorbing Banco Iberico, controlled by the Fierro family.

While it took Central only three months to complete the merger, Banesto took nine months. In the meantime Banesto was obliged to assume prematurely the administration of Coca after Press reports had revealed official investigations into alleged “malpractice” in companies connected with Coca and a former senior executive of Coca had been charged with alleged foreign exchange irregularities.

The president of Popular, Sr. Luis Valls Taberner, commented in January that Banesto had done the banking community a service by absorbing Coca. But it seems that Banesto is still licking its wounds over the problematical absorption of Coca, even though it has recouped the first place in the ranking, temporarily taken by Central.

The problems inherent in large takeovers, exposed by the Banesto Coca deal, will not necessarily halt the trend towards greater concentration. But the leading banks are now likely to think twice about the benefits of absorption just for the sake of size.

Central said its merger was logical—Iberico's industrial portfolio and branch network were an important complement to its own activity.

In a different vein, Santander last year bought Banco Jover, a small, solid Catalan family bank, primarily to beef up its presence in Catalonia and to be able to take advantage of its branches. Santander itself had been inhibited by rules governing branch expansion from increasing its branch network. The next move to consolidate

could well come from small banks being merged with medium-sized ones or consortia formed out of small banks.

Already there are signs of greater co-operation between these banks in order to save costs and increase competitiveness. For instance, Banco Internacional de Comercio has formed a joint company, Agriban, with March and Herrero, to provide common investment services.

There is also talk of the medium-sized banks forming ad hoc consortia to raise domestic bond issues. This said, concentration will be a slower process than some predict.

## Categories

The banks are classified formally into five categories: national, regional, local, foreign and industrial. The expansion in the banking system during the past ten years has come as much from the 55 banks classified as local as from the 15 national ones.

Indeed, during this period the local banks increased markedly their share of the overall number of offices. This was largely as a result of a more relaxed policy as from 1974 regarding the opening of new branches.

The number of bank branches in Spain doubled between 1974 and 1978 to almost 11,000. (Since 1970, the number has trebled.) The relative increase in bank business has not matched this expansion, rewarded by several bankers as unwarranted and potentially damaging to future bank profitability.

The proliferation of local and regional bank offices has helped sustain a surprisingly strong degree of local loyalty against the big national banks.

Despite six bank failures in the past 15 months among local and regional banks, this loyalty is still evident, although there has been a noticeable switch of deposits to larger banks.

Now, with regionalism an increasingly important issue these local and regional banks could well have a new lease of life—provided they are well managed. The Rumasa Group, controlled by the Ruiz-Mateos family and the eighth biggest banking group in the country, is largely made up of such banks.

The group, controlling 21 banks itself, remains one of the big unknowns within the banking community. It now controls the prestigious Banco Atlantico, one of the first Spanish banks to actively enter foreign dealing—something which only a small proportion of Spanish banks are still inclined to do. But Rumasa's president, Sr. Jose Maria Ruiz Mateos, has done little to dispel the impression that many of the small banks in his empire are bought for resale, and there are frequent rumours that his banking interests will be divested.

The industrial banks have been under the greatest pressure in the past year.

The recession has had a direct impact since the industrial banks hold substantial industrial portfolios, growth has been minimal and adjustments have had to be made for rolled over loans or debts in arrears and bankruptcies, this is a far cry from the sixties when they were considered the most desirable type of bank.

Industrial banks are now moving more into straight commercial banking, the most attractive sector. Indeed, the distinction between the two types, which is mainly fiscal,

becomes minimised once their activities converge. One wonders how long the distinction is worth maintaining for the 34 banks in this category.

A new element from now on will be the higher profile of foreign banks. The four foreign banks that have been operating in Spain will be joined by the end of the year by 10 others who have been allowed to set up branch operations, while another, Bank of America, is taking over control of Ameri-bank in which it previously held a joint share with Santander. By next March, a further five will be allowed.

Thus, this time in 1980 there will be 20 foreign banks operating in Spain. Their interest is primarily in wholesale banking; they do not wish to commit themselves to the investment of buying into Spanish banks, nor do they really mind about the strict limit on three branches since retail banking brings them into costly competition with Spanish banks. They will tighten up the operation of the inter-bank market which could affect the Spanish banks, but at first they will probably compete more among themselves for a limited and small proportion of Spanish banking business.

The authorities have been more enthusiastic about the foreign banks than the Spanish banks themselves. The advent of the major names in international banking will, the authorities hope, add a touch of hitherto missing prestige, and, at the more practical level, assist in raising the standards of banking.

The bank collapses of the past months have been attributed in no small part to malpractice and bad management. The whole question of management is drawing increasing attention. The recession, com-

bined with high interest rates and persistent inflation, has highlighted the need for good management. For the first time for many years, banks are having to adjust to the prospect of lower profits and stabilised growth.

Bank profits this year have grown between eight and 12 per cent, according to an unofficial estimate. This compares with annual increases of between 16 and 24 per cent in the early seventies. Instead of keeping well ahead of inflation, the profits—or at least the published ones—are now falling behind.

## Margins

The banks are still operating on wide margins compared to, say, the U.S. banks, but the management of Spanish banks on the whole is less able to absorb new costs.

The new costs have come from the high price of credit and a continual spiral of wage costs. Since 1973, personnel costs have averaged annual increases of around 30 per cent while gross added value has averaged 3 per cent below this.

In other words, the increase in productivity is more than offset by the increase in the cost of personnel.

These costs are becoming more difficult to control. The unions in the banks have emerged as tough and well organised. The Spanish bank employers on the other hand have chosen a course of confrontation with labour. The impact of this policy is uncertain but it will hinder the introduction of a more rational working week. Attempts to scrap Saturday working and institute a five-day week were rejected last month by the unions.

To retain profitability, the banks are going to have to be more competitive: not in the old sense of offering “extra tips” (under-the-counter extra interest rates) to attract business, but by offering a better range of services.

For these services they will have to work out a proper list of costs. The banks admit that at present their services are not realistically costed, and there is a growing realisation that this is the one area which can support profit levels in the future.

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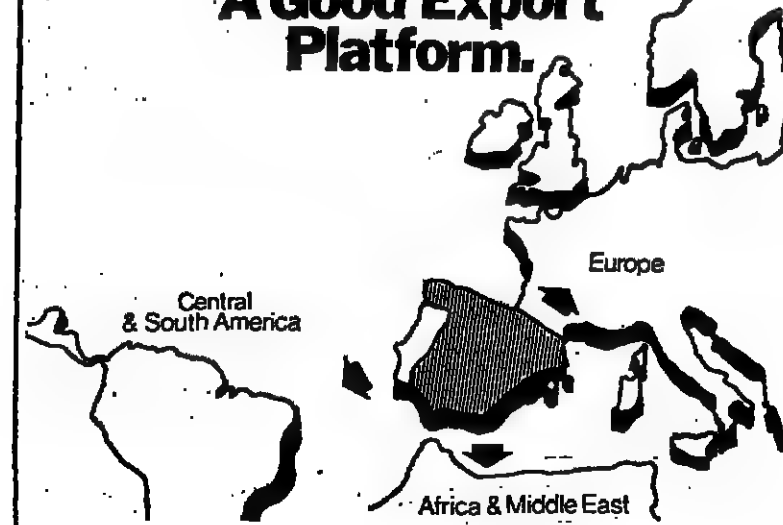
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FOR THE second successive year, commercial bank credit in Spain has enjoyed the dubious distinction of being the most costly in Europe.

At one stage in the early part of August, those seeking credit on the interbank money market were being quoted day-to-day rates of over 55 per cent. Since

then, the situation has eased substantially. But the scarcity of credit, and the tensions this produces, remain one of the biggest problems for the banking and financial system.

Moreover, there is little immediate prospect of the situation changing since the money market is poorly developed and credit control provides the most convenient form of economic restraint.

The present difficulties go back to mid-1977 when the Government undertook an important initiative designed to reduce the level of State control over the deployment of banking funds.

The initiative centred round the reduction in the amount that the commercial, industrial and savings banks had been obliged to set aside for State-selected investments (in addition to that portion normally placed with the Bank of Spain). This had been the prime means of mobilising funds for Spain's industrial development in the sixties and early seventies.

### Competition

The main aim of the new initiative was to steer the financial system away from its previous dirigiste, preparing Spain for a more market-oriented economy. By allowing more competition for funds, it was hoped that interest rates would become both more harmonised and more realistic. These funds compulsorily syphoned from bank and savings bank deposits were known as "privileged circuits" because of the privileged position of the recipient who obtained money at rates of between 4.5 per cent and 6.9 per cent. The savings banks, which account for 30 per cent of total bank deposits, were obliged prior to July, 1977, to set aside 89 per cent of deposits for this privileged financing.

But the reforms in July cut this percentage immediately by six points—and then followed a more gradual monthly reduction, so that by 1983 only 35 per cent of deposits would be tied in this way. In the case of the commercial banks, the liberalisation measures came into force on January, 1978, dropping a quarter of a point every two months—so cutting the original 25 per cent of tied deposits to 31 per cent.

In both instances the rate

paid for this privileged finance has been marginally raised.

At the same time, the authorities decided that, in future, at least one third of official credit be funded not direct from the Treasury or Bank of Spain but on the free market. Unfortunately, these reforms were introduced without counterpart at a moment of deepening recession and high inflation. This made the changes much harder for the system to digest.

### Distortions

Previously, the banks had not needed to worry about the discrepancies between official and market rates. In the boom, it was quite simple to compensate for the low return on State-directed funds by charging high interest rates on the market loans. But once the availability of market funds began to be squeezed, the cost of credit rose sharply.

The main distortions have come in private sector credit. Overall, private sector credit grew at over 15 per cent last year—not an unhealthy amount given the recession. However, a significant portion of this represented credit set aside for exports. The burden of obligatory credit: the private banks set aside was almost halved last year (cut from Pta 45bn to Pta 25bn), but the savings banks were for the first time asked to chip in with Pta 25bn. Thus, the overall volume increased.

Excluding this export funding, commercial credit by the banks to the private sector rose only 10 per cent. Neither the banks nor industry were happy about this as it was half the inflation rate.

Officials concede that free market rates have been exceptionally high for the banks. But they maintain that an important portion of banks' funds are obtained at below market rates through discounts with the Bank of Spain. It is therefore misleading to look solely at the call rates on the interbank market, especially as these can be affected by the presence of a large borrower. The bank has estimated that the average cost of credit to the large banks was 15.5 per cent in 1978, two points up on the previous year.

The higher cost of money has had an important consequence.

The commercial banks have switched out of medium-term financing and concentrated almost exclusively on the short term—30 days to one year.

It is not rare to find commercial banks embarking on operations with maturities above one and a half or two years. The returns are so much better and more certain in the short-term market.

But it is not only the commercial banks that have made the switch. The savings banks, which have had proportionately more funds freed from official obligations, are also moving out of medium-term finance. This vacuum in medium-term finance is an increasing preoccupation to the authorities.

In all systems the medium-term market is one of the hardest to satisfy, but in Spain it is particularly problematical. The industrial banks, intended to provide short- and medium-term funds to promote industry, have been affected most by the recession and are going through a period of retrenchment. They are now only really lending to companies in which they have equity.

Industry itself cannot afford to pay the high market rates. Moreover, now that the ratios of privileged funds are being reduced, the traditional beneficiaries—the large State or semi-State entities such as INI, Telefonos or Renfe, have to compete more in the market. And in moments of recession large companies such as these, with State guarantees, look more attractive to the bankers.

Therefore, scarce funds tend to go more to large companies and be denied to small and medium ones, which—also lacking State guarantees—do not get such fine rates. It is a vicious circle.

The scarcity of medium-term funds is aggravated by the limited commercial choices for raising money. The Stock Exchange has moved upwards (since the March 1 elections) for the first time in three years.

But in the past three years between a third and two thirds of the value of shares has been wiped out by a constant decline. Telefonos, the blue chip par excellence and the most heavily traded company on the bourses, can no longer rely on this source.

Others have given up long ago regarding the bourses as a means of raising new capital. A bond market has begun to develop with some attractive coupons but this cannot evolve effectively so long as there is no real secondary market.

Last year, for the first time the authorities resorted to a significant way to public debt issues. The results were not as good as hoped.

### Discounts

For instance, in November Pta 30bn worth of debt was issued at 12 per cent for five years. After ten days, only 65 per cent of the issue had been subscribed and full subscription has only just been completed. As it is, there are reports of some of the savings banks being offered substantial discounts to subscribe.

The authorities believe, however, that only by persisting with such issues can public consciousness be changed and slowly develop a secondary market. Thus, to finance this year's budget deficit of Pta 195bn, some 70bn will come from public debt issues.

In addition, the Instituto de Crédito Oficial is expected to raise some Pta 50bn in the domestic market. Also, for the first time in January, Treasury bills of 7, 15, 30 and 60 days have begun to be issued at approximately market rates.

The Instituto de Crédito Oficial (ICO) will draw one third of its funds from the market (if it can) and the rest from the Bank of Spain and the Treasury. The ICO is the principal instrument for funding medium and long term credit. Indeed, its importance has withdrawn from medium term loans.

Last year, the credit supplied by the ICO or its affiliates such as the Mortgage Bank, or the Construction Bank, increased 28 per cent, almost three times the level of the commercial banks. Official credit now accounts for just over 8 per cent of total credit.

This year, official credit is projected to increase by a similar amount, mainly earmarked

CONTINUED ON NEXT PAGE



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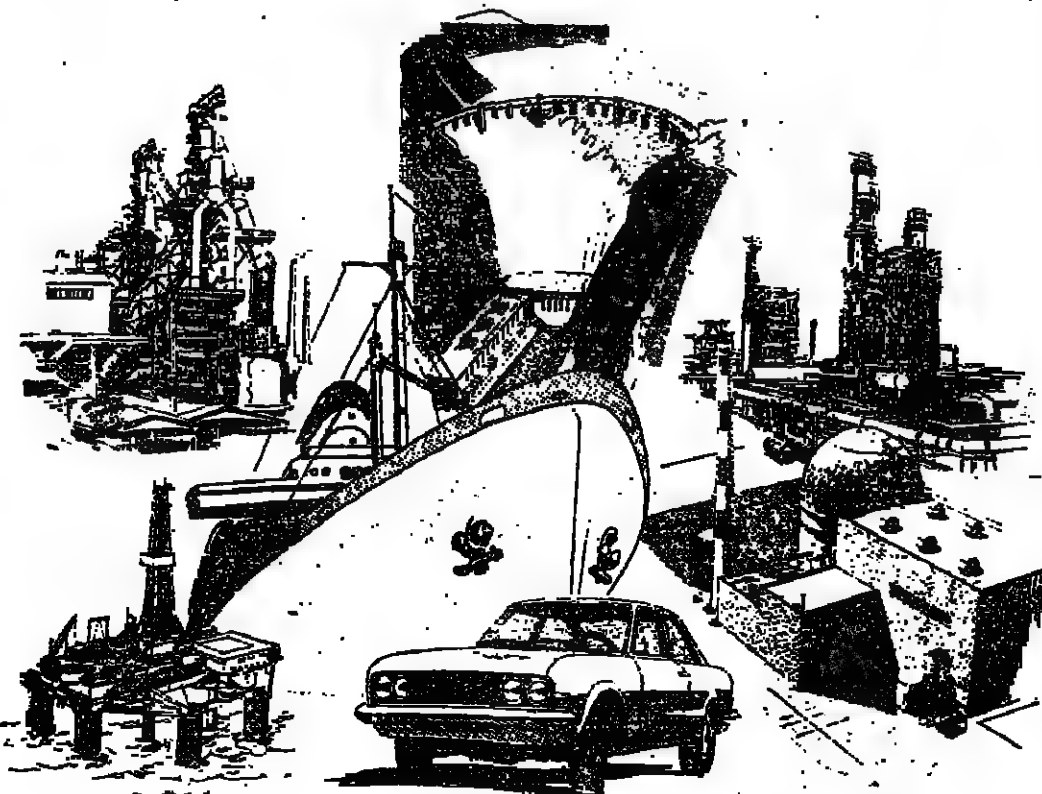
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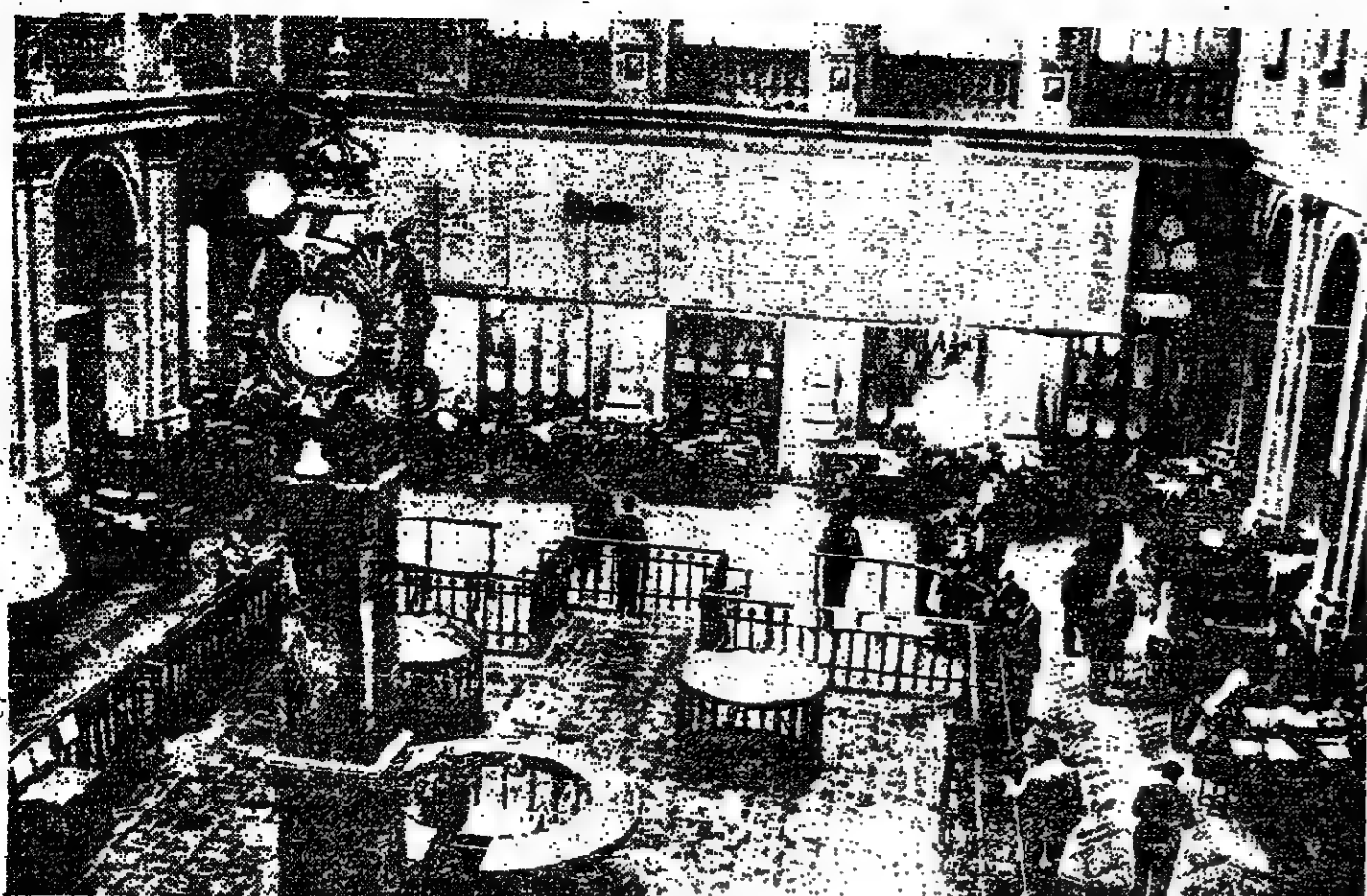
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The Stock Exchange in Madrid

## Optimism on the stock market

ON MARCH 2, the day after the elections, the Madrid stock market shot up by nearly 5.5 points in what the fortnightly Madrid financial review, *Balance*, called "a bit of buying fever."

In the next session, on Monday, March 5, the market took it again, climbing an average of over 5.1 points more. It was the first time in the history of Madrid's *Bolsa* that a five-point rise was seen in two sessions in a row.

The victory of Prime Minister Adolfo Suarez's Union de Centro democratico (UCD) was good news for long-suffering Spanish stock market investors. Nevertheless, there were fears that the euphoria would fade, or that deliberate manipulation might have been responsible for the spectacular rise—a rise which was all the more remarkable, coming as it did after a steady slide that began as long ago as April, 1974.

### Relief

Those fears were allayed on March 8, however, exactly one week after the elections, when the upward tendency persisted, albeit somewhat less exuberantly than before.

The Madrid *Bolsa* closed that day at 11,130, showing a total gain for the post-election week of nearly 14 points. Spain's business world interpreted the optimism in the stock market as a harbinger of good things to come, and that interpretation was probably justified.

It was as if spring had come at last to the long-dormant Madrid stock market.

Even those little groups of ladies who used to make the stock market so colourful and who were driven out long ago by the daily heartbreaks of the fluctuations were seen again, wrote the author of the normally said market report in the Madrid evening newspaper, *Informaciones*, on March 6, following the second memorable plus-five session.

With the likelihood that the UCD will continue in office for a full constitutional term of four more years, the market is likely to remain optimistic in the near future, although of course it will take a long time to climb back to the levels of five years ago. It is probable that the gains made during the brilliant post-election week will be firmly consolidated.

It would not be unreasonable to assume that the 100-mark will remain a thing of the past, provided there is at least minimal co-operation from the Government in the form of sound economic policies and provided there are no major political or economic upsets.

The collective sigh of relief from traders on the Exchange or deliverance from what they refer to among themselves as "the red horde"—the powerful

Spanish Socialist Workers' Party (PSOE), the major parliamentary opposition, and everything left of it—followed other encouraging signs for would-be investors.

For one thing, the market touched bottom one year ago—while hardly buoyant—and has been showing occasional signs of life since then.

One such sign is growing trading volume: Pta 17.3bn (2125m at current exchange rates) during the first two months of 1979 compared with Pta 13.02bn (294m at current rates) during the corresponding period of 1978. Transactions for the entire year of 1978 totalled Pta 87.05bn (£268m), or 17 per cent more than in 1977.

### Trading

The increase in trading was particularly notable in recent months: the figure for February, 1979, was nearly 21 per cent higher than the one for January, 1979.

By the end of 1978, the Madrid stock market closed 10.6 per cent lower than its average opening price on the first day of business in January, 1978, yet that performance was much more modest—less bad—in the eyes of straggling Spanish investors, who had seen the same market drop 30 per cent in 1976 and 32 per cent in 1977.

Much of the recent additional trading, incidentally, represents an injection of foreign capital, in an amount exceeding Pta 5bn (£36m), according to the Economic Studies Service of the Banco Central in Madrid.

As leading Spanish stockbroker Jose Manuel Nunez Lagos told the *Financial Times*: "Spain today is similar in this respect to Spain at the beginning of the 1960s, following the 1959 stabilisation plan, when foreign confidence in the country's future was greater than that of the Spaniards themselves... foreigners were buying last January when the market was dropping."

He thinks they will keep on buying for the time being. If not, there could be a setback. "Until we have some news about the Government's economic policies," the stockbroker explained, "the immediate future of the stock market will depend on whether the basic influx of new money, mostly foreign, continues."

He added: "It is with that influx, as a foundation for short-term speculative movements can take place. After all, the market is like a grasshopper at the edge of a puddle scattered with banknotes. It moved by little leaps and bounds. If there is a lot of money in the pond, it will end up higher or on the same level. But, of course, if there is nothing there, no matter how high it hops, it can only go further down."

An economic bulletin issued

by the Banco Central in February—just prior to the general elections—ventured this less colourful prediction: "The current year may turn out to be the first year of recovery, on the threshold of the 1980s, provided the inflationary process is held in check and private investment is stimulated."

The biggest doubts lie in the area of official monetary policy, particularly with regard to the limitations on credit.

Failure on the part of the Government to give the economy all it needs—and market experts generally agree that such was the case in 1978, when the search for a consensus on the constitution took precedence over other problems—could nip the present resurgence of confidence in the bud and wreck the chances of the Spanish exchanges becoming significant sources of capital for business expansion during the current "investment depression."

What happens next will depend to a great extent on official policy and the energy and efficacy with which it is applied.

Banco de Bilbao economists foresee "a growth of 3.5 per cent in the gross industrial product, on the basis of a slightly expensive primary sector (2 per cent) and a growth pattern in foreign tourism and exports (7 per cent). Such an estimate would include increased public and private consumption and a timid reactivation in gross capital formation."

### Prediction

Actually the Spanish stock markets have seldom played a very significant role as sources of capital for the expansion of private industry. They have served well in that regard, however, for certain State-backed firms—particularly public utilities, utilities such as the National Telephone Company of Spain (Telefonica), which financed much of its expansion in the latter days of the Franco regime by the issue of shares which are now held by tens of thousands of Spaniards whose expectations of profit have hardly been fulfilled.

In fact, there are serious structural problems which diminish the importance of the *Bolsas* as sources of ready financing. While there are more than 800 companies listed on the Madrid Exchange, the country's biggest exchange, they represent only a small fraction of the nation's commerce and industry—and a great many of those 800 are rarely traded.

Not only that, but a selection of just 10 stocks accounts for more than 75 per cent of the Madrid market's capitalisation.

Another quirk of the Spanish markets is that the large privately owned banks are major owners of much of Spain's

industry, and both such banks and their subsidiary or affiliate industrial companies are listed on the exchanges. This tends to reduce trading volume and it also lays the exchanges open to not entirely unjustified allegations of "manipulation" of the market.

### Defects

Such "manipulation" is often not punishable or even obvious, since there is no single Government agency (such as Securities Exchange Commission in the U.S., for example), whose duty it is to set as a watchdog over transactions. Legislation affecting the buying and selling of stocks and bonds is old-fashioned, and numerous state agencies are concerned.

Such a state of affairs makes for occasional bureaucratic harassment but little real control. There is a move among stockbrokers to correct these increasingly evident defects, if only to keep the languid markets from total collapse.

Yet there are other defects which may be harder to correct, such as those related to the habits of businessmen and investors conditioned by 40 years of operations in the special climate created by the authoritarian rule of the late Generalissimo Franco.

"In order for the *Bolsa* to really behave like a capital market," Sr. Nunez Lagos said, "in order for a really broad market to exist, there is a need for more than mere institutional reforms. What we are hoping for is for the average private investor to change his attitude from a passive one to an active one... the transition from the present type of market to a real capital market will be possible to the extent that the average holder of savings begins to invest in shares."

Business management is partly to blame for the sleepy pace of Spanish markets. It is not customary for many Spanish companies to publish detailed information about their operations and their financial status, annual reports are frequently perfunctory and not very enlightening to make matters worse. Spanish investors on the whole do not show much curiosity about such matters.

Political motivations, more than balance sheets, have been dictating market trends in Spain for decades.

The investors may not realise it yet, says Sr. Nunez Lagos, but gone are the days when everything went up or everything went down. In the changed political circumstances of this country, he claims, movements in the market will necessarily become more selective.

The sooner Spanish investors get accustomed to that idea, the better off they'll be—and so will the market.

By a Correspondent



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## Credit

CONTINUED FROM PREVIOUS PAGE

or shipbuilding, construction and projects designed to create employment.

The Commercial and Industrial Banks are at times critical of the role of official credit. For instance, a part of the "privileged" funds taken from them go direct to the State banks, like the Construction Bank. These are funds taken at, say, 7 per cent yet loaned at 11 per cent without any real marginal costs.

### Careful

The critics say that the system is to be liberalised, then this State intermediary should go. The ICO itself is

an orthodox body. Although it is lending at soft rates, its new head, Sr. Rafael Bermejo, insists on careful project studies and on covering ICO's costs. The ICO faces problems in justly apportioning credit when so many sectors and so many big and small companies cannot find reasonably priced funds.

There is a natural tendency to look to the needs of large companies whose activities have an obvious socio-economic impact. Will, for instance, the lion's share be eaten up by the demands of troubled sectors like shipbuilding and steel or in meeting the huge financial needs of the energy sector if the nuclear programme gets

under way?

ICO officials insist this will not be the case. But if this is so, then the banks risk being faced with the privileged circuits in a new guise—Government directives to fund specific operations at below market rates.

Last November, for instance, the Minister of Industry, Sr. Augustin Rodriguez Sahagun, called on the country's leading banks and "requested" their help in providing special finance to the ailing capital goods group, Babcock Wilcox. After much protest, they agreed.

If this can happen once, bankers fear it can be repeated.

They are probably right. So long as important quantities of bank deposits are tied to State-directed use, it is hard for a money market to flourish, especially where there are no large pension funds, building societies or insurance companies, as is the case in Spain. The reforms of July, 1977, are still relatively modest, precisely because of the counterpart to liberalisation needed to be created. It is therefore going to be a lengthy process of adjustment and the hand of the State will be much in evidence for the foreseeable future.

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## SPANISH BANKING AND FINANCE

# Surge of interest in credit cards

ALTHOUGH CREDIT cards are a relatively recent innovation in Spain, the country now ranks fourth in the world in the number of these "bits of plastic" in circulation.

In this context, the Banco de Bilbao was able to amortise its initial outlay within three years, whereas the Bank of America, for example, had to wait five years before seeing any return on its investment.

Bilbao has reaped a handsome harvest for its foresight. The Visa system now covers 37 banks and savings banks, which this month set up Visa-España to co-ordinate its administration.

But the bulk of the Visa card's 1.43m users, and its approximately Pta 12bn turnover last year belong to Bilbao. This represents nearly three quarters of all credit card turnover in Spain, while the number of Visa users grew around 25 per cent in the last 12 months—and the number of sales points associated with the system grew from 32,000 to around 60,000.

Bilbao gauged the costly initial outlay of introducing the card against two crucial local factors: the fact that cheques have never really caught on in Spain as a method of payment, and the influence of tourism in persuading retailers that credit cards were in their interest.

The Spaniards' wariness of cheques is partly an anti-bureaucratic reflex, but is also explained by the traditional weakness of legislation to cover the bouncing variety. In this light, the introduction of credit cards was a simple matter of skipping a stage.

Furthermore, the mass influx

of tourism throughout the late 1960s and early 1970s had the effect of a free publicity campaign, particularly among shop-owners and the catering and hotel industry.

Credit cards, moreover, offer a better defined credit band, with the possibility of deferred payment. But the success of Visa has convinced many banks and has also led to the introduction of the rival Interbank system, which issues the Master Charge Eurocard, and Access cards internationally.

As yet, the Interbank cards have little more than a tenth of the Visa market, but the increasing tendency of many banks to offer both means that they are likely to catch up fast. Both systems will benefit sharply when the Confederation of Savings Banks decides, probably before the end of the month, to give its members the go-ahead and issue either—or both—of these cards. The savings banks hold over a third of all deposits in the banking system, and offer the "popular" credit cards of the Visa or Master Charge type—so-called because of the credit limits and system of revolving payments—a large market which has barely been touched.

The second so-called "popular" type of credit card is issued by the chain stores. There are approximately 2m of these in circulation, with Spain's largest retail concern, the Corte Ingles, accounting for a million. Its rival, Galerías Preciados, accounts for some 780,000, and the Spanish branch of Sears has a further 250,000.

However, the long-term effect of these firms' effort in introducing the charge account system may benefit the credit card industry proper. The Corte Ingles, for example, is not unenthusiastic about Visa and similar cards, simply because the commissions they have to pay are lower than the administrative costs of running their own card.

Research

From the public's point of view, although the chain store type of card is at the moment the most widely circulated, research by the banks shows that out of 75 per cent of the population familiar with the idea of credit cards, 39 per cent (by some distance the largest portion) identified them with the Visa card.

The Visa/master charge type card is therefore well placed to take over part of the market held by the limited-usage chain store cards, once the banks and savings banks begin to give them wider currency.

Diners' Club was the first credit card venture in Spain, and it remains the better established of the "elite" cards. Beginning in 1954, they found a strong initial prejudice to what was still a novel idea, even internationally.

At the beginning of the 1970s, their research told them that there were approximately 110,000 Spaniards in the upper bracket income group which they consider their target market, and of which they now

claim more than half, or around 60,000 card holders.

The Diners' Club sales pitch in Spain is aimed strictly at the elite, and the prestige (which is supposed to rub off on their card holders) is pushed very hard—their local manager went so far as to describe the card as "the knight's sword of the 20th century." Diners' Club concentrates on expanding and cheapening its services rather than advertising for new custom. It remains confident that in a country where credit cards are catching on fast, there will come a time when people want the best.

American Express is newer to the market, which it is now attacking aggressively to make up lost ground. It began by setting up a joint company with the Banco Urquijo, Spain's largest industrial bank—the first such experiment it has carried out internationally. Unlike a British merchant bank, an industrial bank is a hybrid which operates as an ordinary commercial bank but under special legislation designed to make it a service bank for industry.

American Express's Spanish initiative hence gives it immediate access on favourable terms into a growingly competitive market, where it can begin by building a solid base out of the Urquijo clientele, both corporate and personal.

Amex pitches its net wider than Diners' Club—worldwide, it is three times larger than Diners' Club and Carte Blanche (its other competitor) combined. In Spain this is likely to prove important in view of the sharp growth of the bank-issued cards. For although Amex shares the same core market, as Diners' Club, it intends to establish a base at the upper end of the Visa/master charge market as a precaution against future erosion.

It now claims some 25,000 card-holders in Spain, although this doesn't reflect its true impact on the market. Last year, for example, American Express card-holders accounted for nearly 1 per cent—equivalent to around \$50m of Spain's tourist receipts. This is likely to increase the company's Spanish clientele, if only by pushing up the number of establishments which take the card.

However, only 54 per cent of holders of credit cards of all types in Spain actually use them. But this may, in part, be explainable by people holding two or more cards, and does not detract from the possibilities for expansion which nearly everyone in the business takes for granted.

The area where future competition looks like being most fierce is between the bank-issued cards. The introduction of computerised magnetic strips will gradually multiply the uses of credit cards, and it will be the quality and range of services offered that will, in the long term, decide who wins the largest part of the pie.

David Gardner

# Increase in foreign reserves

ONE FEATURE which confounded the economic planners last year in Spain was the continued accumulation of foreign reserves. Spain ended the year with foreign reserves over the \$8bn mark. No one foresaw such a high level of reserves because a mild recovery was expected to take hold in the second half of the year, so stimulating import demand. This never materialised, but while the industrial recession remained fairly static, tourist receipts rose sharply and so did the level of foreign investment.


This strengthening of Spain's external position has had two effects on its relationship to the Euromarkets. First, it reduced the overall anticipated level of borrowing. Final figures are not available but borrowing was below the projected \$3.1bn. Secondly, it tended to improve Spain's rating. This in turn enabled the Spanish authorities to accelerate repayment of some important outstanding debt and encouraged some of the bigger State and semi-State borrowers to restructure existing term debt to take advantage of more favourable rates.

## Image

With reserves now above \$10bn Spain has been able to enter the new year with a considerably reinforced international image. This is now likely to be further strengthened by the showing of the ruling Union de Centro Democrático party of Sr. Adolfo Suarez in the March 1 general elections. Almost certainly Spain can now look forward to four years of single party government. This combination of factors has tended to make the market regard Spain as a better risk than Italy. Few bankers would dispute the attractiveness of lending to Spain.


A year ago some bankers believed that because Spain had been such an active borrower in the previous two years the general softening of terms throughout the market would not be so pronounced in the case of Spain. In the event this has proved wrong. A sample of the latest loans arranged show good spreads of five-eighths and three-quarters. For instance Enagas, with an INI guarantee, has just obtained \$180m at five-eighths for seven years and three-quarters for the remaining three. Iberduero recently borrowed \$100m for 10 years with a spread of three-quarters above Libor.

The favourable treatment has



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# New openings for foreign banks

GENTLEMANLY scramble under way among foreign banks to achieve the kudos of being the first to operate in Madrid. The first is due to open early May, but there are vying for the title among the Spanish banks. The first to view this as a challenge, however, is the Spanish bureaucracy, which is such as to foul up the plans.

Since the Cabinet on January last approved 10 foreign banks to open branches in Spain, a host of intricate administrative, legal and fiscal problems have had to be unravelled — and many more to be. It took almost a year for a decree to be passed permitting foreign banks to enter, and from this time last June, it took a further six months to decide which should be allowed in. A genuine view would be that all approved banks are unlikely to be properly operational by the end of the year.

The entry of these banks has an emotive issue — and object to a good deal of misunderstanding among the Spanish banking community. The basic fear has been that the large multinational banks with aggressive marketing techniques and sophisticated management techniques would break up a comfortable local cartel. Even when the authorities had to resist strong rearguard action to impose severe restrictions on a number of banks to be opened in December the Banco Superior Bancario, the only which acts as a channel of communication between the banks and the Government, recommended that no more than 10 banks be allowed in the time round.

Its argument was based on the considerable diversion of resources, suspected that the entry of these banks would be exacerbated by more banks competing for funds, and lastly was aimed at the foreign banks who would be already in the country. It was also doubtful whether the policy of limiting the number of foreign banks to four would serve the purpose intended. A limited number of foreign banks could easily have more impact than a greater number since they would have to compete against themselves more than against Spanish banks, some officials argued.

But while the Bank of Spain did not wish to be so restrictive, still wanted to be conservative. It was not going to let all and sundry who applied. A total of 19 banks filed their applications in time. Two banks, the Banco di Roma and Bank of Tokyo, were not con-

sidered because, the word goes, they missed the deadline. The Bank of Spain chose to let 10 banks in on an initial tranche and named five others which would be allowed to operate as of March 1, 1980. The choice of the ten was difficult and in some senses a political act to achieve a balance among the main national banks of Spain's principal business partners — four from the U.S., two each from France, W. Germany and Britain.

## Criterion

The main criterion, however, was the extent to which the banks had done business with Spain in the past, especially since the death of Franco. An unkind, but partially true comment by some Spanish bankers was that several applicant foreign banks had raised their lending activity to Spain sharply in the past two years — with a view to being considered favourably.

Those authorised in the first batch were Citibank, Chase Manhattan, Manufacturers Hanover Trust and Morgan Guaranty from the U.S.; Borsari and NatWest from the UK; BNP and Paribas from France; Dresdner Bank and Deutsche Bank from Germany. Those kept waiting for a year were Continental Illinois and Chemical Bank from the U.S.; Algemein Bank from Holland; Banque de l'Indochine from France and Commerzbank from Germany.

This delay will not mean a great deal in practical terms. Nothing will stop the five from preparing to open in the meantime. Thus they will be operating probably no more than three or four months after the first 10 yet will have been able to watch how their colleagues have fared meanwhile. To the four not given immediate permission, the authorities have made it clear this is not a formal rejection.

The most interesting attitude was that adopted towards the Banco do Brasil's application. This was turned down, or rather a positive decision was postponed, because the authorities were unhappy about the principle of reciprocity. Because the bank controls some 70 per cent of the financial market in Brazil, Spanish bankers were doubtful how reciprocity regarding Spanish banks in Brazil could be applied. Until this situation is clarified, Banco do Brasil is unlikely to be allowed to operate in Spain. Among the other applicants the authorities did not pronounce on was American Express. They were uncertain about its naturalness — i.e., its legal and physical identity as a banking institution.

Under the terms of the June decree those banks authorised to operate could opt either to establish a Spanish subsidiary or work through branches, limited to three. In the case of a subsidiary, the downpayment for capital and reserves was set at Pta 1.5bn (£10m) while the security for a branch operation was put at Pta 750m (£5m).

In addition, special provision was made for the case of a bank which already had a stake of 25 per cent in a Spanish bank. Here the foreign partner would be permitted to purchase

the entire equity. Bank of America is doing this with Ameribank, jointly owned with Banco de Santander. When this operation is complete, Bank of America will join the four existing foreign banks which, for various historical reasons, have been already allowed to operate in Spain — Banco Nazionale di Lavoro, of Italy, Britain's Bolea, Credit Lyonnais and Societe Generale of France.

There are plenty of small banks, and some medium-sized one, waiting to be bought up. But foreign banks are wary of exposure to such an investment. The high "entry fee" was not popular but none of the potential applicants dared to voice a complaint in public. Nor has there been any open criticism of what could prove to be uncomfortable restrictions.

The Bank of Spain has sought to limit the impact of the foreign banks on peseta dealing. Accordingly, peseta dealing cannot exceed 40 per cent of a foreign bank's assets inside Spain. Such assets will be Government securities and that portion of deposits which the banks are obliged to deposit with the Bank of Spain. The banks will also be allowed to book loans in Spain and apparently to transfer existing loans booked elsewhere.

The net effect of this restriction will be to limit the amount of deposits that foreign banks can obtain. Yet perhaps too much should not be made of this provision. The four foreign banks already in Spain account for little more than 1 per cent of total deposits.

Until now the foreign banks have operated through representative offices, of which there are over 50. They have been mainly concerned with co-ordinating the wholesale banking activities of head offices. The provision of foreign loans has been accounted for as to over 70 per cent by foreign banks, usually working through representative offices in Spain.

In more candid moments some foreign bankers concede that 80

per cent of what will be done through the newly opened branch operations could be done through existing representative offices. Why then are they coming in? First, there is a strong element of prestige. Secondly, it allows them to claim a formal banking presence in a country whose principal corporations and utilities are active borrowers on the international markets.

Thirdly, they are confident of Spain as an expanding market — both in terms of financial services and investment opportunities. The anticipated entry of Spain into the EEC in the early 1980s and the prospect of greater liberalisation — hold promise of more international and European interest in Spain. Fourthly, they are interested in Spain as a means of tackling the Latin American market.

From the Spanish point of view, the presence of foreign banks will have a number of important consequences. Even the most chauvinistic of the conservative members of the Spanish banking community concede they have much to learn. The more outward-looking believe foreign banks will add new life to the system and help cope with the authorities' avowed aim of liberalising interest rates and creating a fully fledged money market.

The foreign banks could well provide a lead in what is still untried territory in Spain — a realistic costing of service charges. As profit margins become increasingly squeezed Spanish banks are realising that many of their services are poorly costed.

Internationally, the Spanish will benefit from the principle of reciprocity, especially in Germany and the U.S. Had existing legislation remained in force, Spanish banks, which are increasingly turning abroad for expansion, could have run into problems on this score.

R.G.

## Industrial banks feel the pinch

UNTIL THE present recession began just over four years ago, the so-called industrial banks were the envy of Spain's banking community. The privileged treatment accorded these hybrid institutions — which mix commercial branch banking with merchant banking — throughout the country's period of economic take-off, made industrial banking the most spectacular growth area in the financial system.

However, in the present climate of stagnation in industrial output and tight monetary discipline — added to the increasing inroads into industrial bank privileges made by the commercial banks — it is far from coincidental that the last two banks to get into serious difficulties were both industrial banks.

These were the Banco de Granada, which became the fourth admission into the so-called "hospital" set up by the banking community to maintain confidence in the system as a whole; and the Barcelona-based Banco Industrial del Mediterraneo, which was absorbed by the Banca Catalana group on terms similar to standard "hospital" treatment — ample soft credit provided by the Bank of Spain and its shares bought for a nominal price.

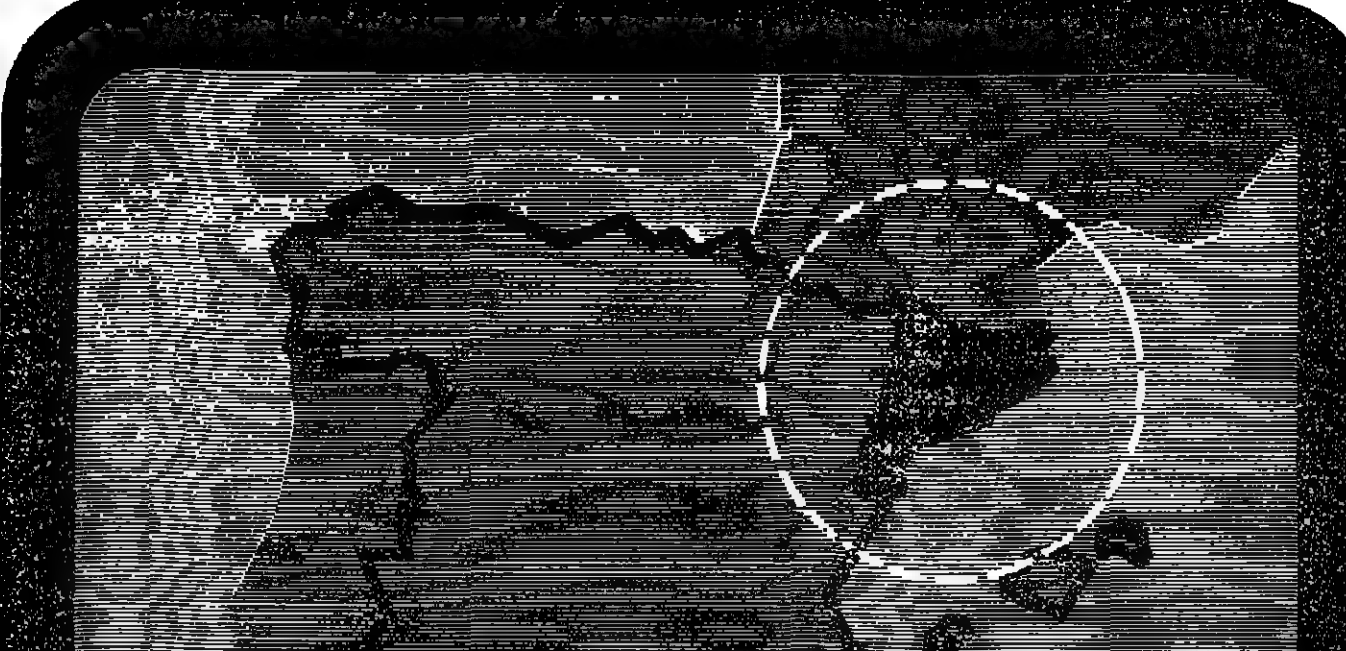
The industrial banks were set up in 1984 at the time of the country's development plans. About 12 were established initially under legislation which attempted to separate commercial from industrial banking and provide new channels of finance for industry. This was in the belief that the existing mixed banks had gained an excessive hold over industry, a degree of control which was inevitable given the autarchic policies followed from the end of the Civil War until 1959, and the lack of a functioning stock market capable of supplying long-term capital to the private sector.

The banks had come to supplant the private investor and even now own what various estimates put at about 50 per cent of the country's industry.

Of Spain's "Big Seven" national banks, the Banco Central, for example, has an industrial group with a combined output about Pta 240bn (£1.7bn), which includes Dragados y Construcciones, Spain's largest building contractor, and the Compania Espanola de Petroleos, the country's second largest refining company.

The country's leading bank, the Banco Espanol de Credito has extensive holdings in the cement, construction, food products, and shipbuilding industries, while the two big Basque banks, Banco de Bilbao and Banco de Vizcaya, are deeply committed in the capital goods, shipbuilding and integrated

CONTINUED ON NEXT PAGE



Catalan Percentage of Spanish total	
WORKING POPULATION	16.8
TOTAL EXPORTS	20.2
INDUSTRIAL EXPORTS	30.1
GROSS NATIONAL PRODUCT	20.0
INDUSTRIAL G.N.P.	27.7

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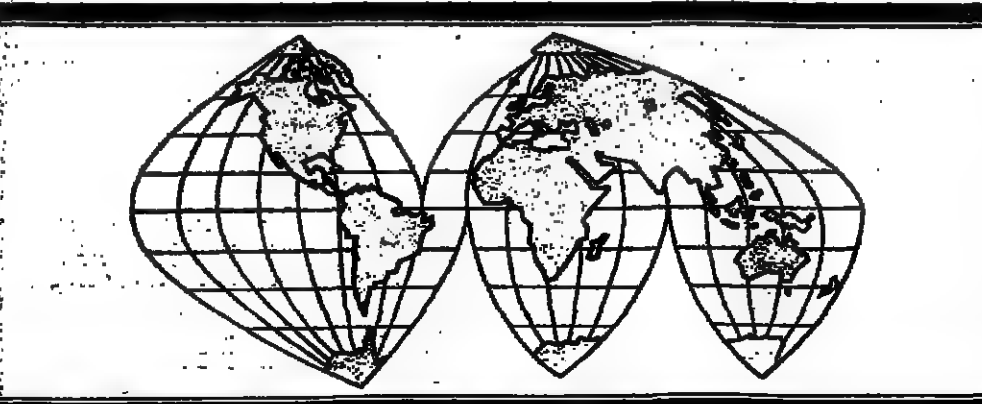
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(US Dollars millions)

ASSETS		LIABILITIES	
Cash & Banks	2,344	Deposits	9,415
Investments	1,198	Other Liabilities	432
Loans & Discounts	6,342	Capital	237
Other Assets	474	Surplus Profits & Reserves	274
Contra A/cs	11,817	Contra A/cs	11,817
	22,175		22,175

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BANCO HISPANO AMERICANO is fully aware of the commercial and financial climate that links Spain to the rest of world and has made, during the last few years, a sustained effort to provide its extensive network of branches with an excellent international service. It has recognised the needs of both Spanish exporters and international investors. Side by side with these developments, the central departments which liaise with the International Division have also been reorganised. BANCO HISPANO AMERICANO's excellent understanding with similar banks all over the world forms a sound basis for international business. In order to enhance this position we are established directly in the major international financial centres and we have a wide network of Representative Offices in several continents

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## SPANISH BANKING AND FINANCE

# Period of flux for savings banks

THE SAVINGS banks, or *cajas de ahorro*, now occupy a place in the Spanish banking system similar in kind to the British building societies — and, in weight, to the West German savings banks.

Taken along with the postal and rural savings banks, the *cajas* now hold approximately 36 per cent of all deposits in the banking system, equivalent to some Ptas 2,975bn, or alternatively just over half the deposits controlled by Spain's "big seven" national banks.

And although they pay among the lowest interest rates in Europe, with a rate of inflation which has come down so far and seems reluctant to go further, they continue to increase their deposits faster than the banks.

Last year the *cajas* grew 20.64 per cent against the banks' 15.58 per cent, while the year before showed growth rates of 20.85 per cent and 18.55 per cent respectively.

This margin of growth at the expense of the banks has no doubt been maintained because of the muted crisis that has affected sectors of the commercial banking system in the past year, and which has seen one bankruptcy, four admissions into the so-called "bank hospital" (set up by the banking community to maintain confidence in the system as a whole), and one precipitous rescue by a larger commercial bank.

But the savings banks' staple market is the small saver and wage-earner, and the increased share of wages in Spain's national income, following the industrialisation plans of the middle 60s and early 70s, has boosted their influence immensely.

In addition, they are theoretically non-profit making institutions with socially useful investments figuring high in their statement of aims — frequently not in their record of achievement — and being organised on a regional basis

percentage of their deposits as State-directed investment, but because the commercial banks can now issue bonds, while the industrial banks have not been offered the compensating advantage of discounting commercial paper.

Urquijo and some other industrial banks maintain double the amount of legally-required reserves as a precaution. But along with the gradual drying up of the bond market, about Ptas 40bn in bonds placed with the savings banks in the past year for the next four or five years, the proportion of the bonds which have to be deposited with the Bank of Spain have been freed to help alleviate this, but the strain on the resources of the industrial banks will be very great nevertheless.

All this naturally has had a substantial effect on the industrial banks' lending, which last year rose only 2.5 per cent to 18.9 per cent in 1977, and 22.2 per cent in 1978, the industrial banks' share of overall credit provided by the banking system dropped from 14.28 per cent in 1977 to 13.93 per cent last year, while the foreign currency element in its lending has nearly doubled since 1976 (Ptas 32.3bn to Ptas 61.4bn by the end of last year).

Another element which has reduced the role of the industrial banks in the past 12 months is the size of the financial requirements of companies such as Sarrio and Babcock and Wilcox Española, the country's largest paper and pulp concern, capital goods manufacturer, respectively. Sarrio defaulted on debts in September, and needed a Ptas 2bn cash injection to resume operations, plus the restructuring of longer-term debt.

This was feasible since the company has a yearly turnover in excess of Ptas 13bn and its problems stemmed from incautious over-expansion. But whereas Sarrio's main institutional shareholders are Urquijo and the Banco Central, a consortium which included the Hispano-Americano, Popular and Exterior banks had to be put together before the company's cash-flow problems could be solved.

In the case of Babcock and Wilcox, which suspended all outstanding payments last March with liabilities of Ptas 16bn, the industrial banks played no part in refinancing the company. The two big Basque banks and savings banks — the most important original shareholders — contributed Ptas 900m to the Ptas 2.5bn cash injection, while the Government had to come up with a Ptas 2bn credit.

The combined effect of all these developments is to put the notion of a specialised sector of the banking system under an increasingly searching light.

And the difficulties in obtaining funds has led many of them to broaden their approach.

David Gardner

In foreign currency operations, the savings banks don't yet command the expertise to play a more than marginal role, and then usually, towed in by the banks, although the Catalan Cajas de Pensiones, or Cajas, as it is known, the largest of the Catalan savings banks and the country's fifth largest financial institution, has set up an international department.

If the Cajas and other pioneers do well out of their new initiatives, their colleagues will soon follow suit.

But the key area where the changes in legislation of 1977 have not had the desired effect is in the direction of lending by the savings banks. The credit which the *cajas* can dispose of has traditionally been directed towards first home buyers, personal loans to small savers, selected areas of agriculture, small to medium-sized industry, but above all towards the public housing programme and that section of the construction industry associated with it.

The past year has seen a slight but marked change in these priorities. In 1978, credits worth Ptas 748.5bn, or 58.6 per cent of all lending were devoted to housing construction, against 1977 figures of Ptas 636.7bn, or 57.82 per cent.

This compares with credits to industry last year of Ptas 196.3bn (14.87 per cent), against 1977's sum of Ptas 145bn or 13.49 per cent of total lending.

In absolute terms, both sums have increased in line with the *cajas'* new-found affluence, but in relative terms the decrease in housing's share of overall lending is marked.

But what was clear as a tendency in 1978 has become accentuated this year, with between Ptas 15bn and 20bn being drawn away from the construction industry each month, a clear Ptas 200bn in unutilised houses, averaged out over a year.

There is a strong suspicion that the savings banks are not completing their traditional function, but that in the present squeeze credit is increasingly being diverted towards the lucrative interbank market, or used as a source of ready liquidity for firms connected with leading figures in the savings bank hierarchy.

The Board of the Spanish Confederation of Savings Banks (CECA), for example, has eight members who are also on the Board of 16 leading private firms.

In housing priorities this has been reflected in a net drop of Ptas 3.2bn lent for public housing construction in the 18 months from the reform to the end of last year, and a growth of over 80 per cent in loans to private housing projects during the same period.

### Actions

But if the 1977 reform was carried out without the savings banks promising any quid pro quo in return, some at least of the holders of Spain's 35m savings bank accounts are likely to get a more forceful say in how their savings should be spent, following the municipal elections on April 3. For although the reform envisaged a process of semi-democratisation in the savings banks it is clear that this has had only a limited effect — partly because existing board members sit for four years, but in several cases because elections of account-holders to replace them have been thoroughly rigged.

Following the municipal elections, however — the first in Spain for 48 years — those *cajas* which are under municipal or provincial control will partly pass into the hands of whoever wins in that particular area. Some 30 *cajas* out of 82 controlled by CECA will be affected by this move, which will sit from six to eight town hall nominees alongside eight representatives, drawn by lot from

R.G.

account-holders, and four elected members from each *caja's* employees.

How effective this will prove as a means of local control remains to be seen, since the economy ministry has to approve the chairman of each Board, who in turn has the right to overturn the decisions of the rest of the Board.

A less immediate challenge to the savings banks comes from the nationalist and regionalist lobby. In the past, the savings banks' heavy commitment to Government-directed investment frequently meant the decapitation of the poorer regions in favour of the richer, since this credit was mostly siphoned into the so-called "privileged circuits" of soft credit to industry.

Those areas with publicly owned or heavy industry usually came off best, so that wealthy Catalonia with a high concentration of savings but few publicly-owned enterprises, and impoverished Andalusia with no industry to speak of and whose emigrant workers would see their remittances invested almost anywhere but in a job inside their own region, both had some justification for complaint.

The 1977 Reform stipulates that 75 per cent of *caja* investment must take place within its own region, but the Andalusian *cajas* have now written to the Government pointing out that this is still 75 per cent of the 37 per cent of the funds they control and that this will not even approach the needs of the region.

The autonomous governments and councils in each region have yet to acquire economic and political teeth, and those envisaged for them in the constitution will not be very sharp. Not surprisingly, therefore, many of them have their eyes fixed on the savings banks as a future source of regional finance, particularly as in several cases, the provincial savings banks will come under their control.

### Integration

Savings banks' executives claim to be unconcerned by both these challenges, but the feverish process of integration that has been going on during the past six months tells a different story. CECA has registered fusions between *cajas* in Alicante, Galdakao, just recently, in Barcelona, but there are numerous further projects afoot attempting to fuse what will be in theory publicly controlled savings banks with the private savings banks, and thus pre-empt the results of the municipal elections and the future process of devolution.

In the case of some of the smaller savings banks which have been left exposed by the strong competition for a declining volume of deposits, integration comes as part of the process of consolidation which has been a major feature of the banking system as a whole throughout the past year. The savings banks nevertheless have a fairly comfortable safety net, combining well-spread equity portfolios with strict legislation guaranteeing deposits.

The savings banks are therefore facing a period of flux with on the one hand, growing pressure to bring them under increased local control and public scrutiny, and on the other, stiffer competition accompanied by rising labour costs and the likelihood of greater liberalisation in interest rates in the future.

Their distinct identity is well-ensured by the fact that they are something like their present position in the banking system in the future, but there is no precedent in their recent history for this kind of pressure, and it is likely to take some time before they learn to accommodate it.

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# Machine tools and microprocessors

By HAZEL DUFFY, Industrial Correspondent.

SLOWLY, and painstakingly, the British machine tool industry is attempting to recover some of the ground in numerically controlled (NC) machine tools which it lost in the early 1970s.

The attempt comes at a time when discussion in research institutes and universities is increasingly about the use of robots—totally automated control devices—in production processes. This is an area where British industry lags far behind the U.S. and Japan, but where there is no shortage of interest, as a packed conference being held at the University of Nottingham this week shows.

Although the future for robots in industry remains uncertain, the growing demand for NC machine tools is a fact which is not in dispute.

NC machine tools fall into two broad categories: those in which the control system gives point-to-point (co-ordinate) positioning, and the more advanced method where it permits continuous path working and therefore the machining of complex parts. The two basic control systems are computer numerical control (CNC), where the machine incorporates a mini computer or a microprocessor (mostly the latter), and direct NC where a number of machines can be largely controlled from a central computer system.

Machine tool manufacturers were one of the first to take advantage of the microprocessor. The rapid development of the "chip" has made computing power available in small and relatively low-cost equipment and it holds out the prospect of increasing the efficiency of machine tools by incorporating monitoring, inspection and testing into the control process.

Mr. Albert De Barr, director of research at the Machine Tool

Industry Research Association, wrote recently about the likely effects on machine tools of the microprocessor. "The scope is so wide," he said, "that it is unprofitable at this stage to try to describe particular applications. But manufacturers and users of machine tools should be thinking about the effect on life and markets of, for example, pocket calculators, on-line (computer controlled) seat-reservation systems or credit cards, and to consider that within the next few years microprocessors could have similar far-reaching effects on their activities, too."

## Early courage

The story of the NC and the British machine tool industry is a sad example of early courage in developing a new technology, only to be overtaken at a later stage by competitors in other countries. Spurred on by the needs of the aerospace industry in particular, British machine tool companies took the lead during the 1960s. But the inevitable loss of market share to the U.S. and Japan, followed by the recession in the aerospace industry, led to some companies getting their fingers badly burned.

The message for the industry seemed to be that concentrating on the products which it knew about was more profitable. For the most part, these profits were not used to develop computer control. In the late 1960s and early 1970s, the industry's R and D spending virtually collapsed.

But the response to the Government's scheme of assistance for the machine tool industry suggests that such spending has picked up considerably in the last couple of years. The scheme was launched in August, 1975 and closed in December, 1977. The final processing of applications, which has only recently been

completed, resulted in £35.8m of assistance being offered, which will generate total industrial investment of nearly £176m.

Product development is probably the most interesting part of the aid scheme. About one-third of the grants that have been offered are for this purpose. If they are all taken up, the industry will be spending £38m on product development over a period of about four years with the help of Government money. In addition, there will be other companies which have gone ahead on their own.

NC products for which assistance has been approved account for 48 per cent of the money offered in the product development category. The Department of Industry's hope is that there will be 12 companies in Britain making NC lathes in 1981—when spending on product development has to be completed—compared with four when the scheme was launched, and that NC machines will comprise 25 per cent of the industry's production in 1981 against 10 per cent today. The fact that the scheme got off to a very slow start means that it had little effect in that sector in the early days, although the results in the categories of new plant and machinery, and new buildings, are more evident.

TI Churchill, part of Tube Investments, used the latter part of the scheme to increase its capabilities in NC technology. The company recently completed a £3m expansion scheme, for which it received a 25 per cent government grant. New plant and machinery has been installed, and an integrated stores area added. A computer has been purchased to improve control and costing information. The aim of the scheme is to achieve a 20 per cent increase in productivity at the company's factory in the North East. Two other members of Tube

Investments' machine tool division—TI Brookes and TI Matrix—have also used the scheme to introduce new products. TI Matrix recently launched a new NC vertical machining centre (along with NC lathes, these have been the real growth products over the past few years) and TI Brookes is working on the design and development of a deep hole boring machine. Mr. Brian Bottomley, managing director of Matrix, says the machining centre has been designed to fill the gap left by depressed orders for the company's traditional grinding machines.

In an industry that is suffering from worldwide overcapacity, NC represents the biggest growth sector. For the user, the advantage of this type of machine tool is that it affords a saving in labour costs and a reduction in the cost of financing work-in-progress because NC machines tools do the job more quickly. There were once thought to be the preserve of larger users, but the simpler tasks that are performed by NC lathes and machine centres (which do a variety of machining jobs) have made the equipment attractive to many small engineering companies.

Alfred Herbert recently came out with its new simple automatic lathe, which it called the Husky, and which has been well received so far. It happens to be the first new product to have come out of the Edgworth plant for 11 years, a fact which is highly relevant to Herbert's commercial and financial problems.

## Higher value

Mr. Walter Lees, chief executive of Herbert, says it is the first of a range of products which are in various stages of development, and all of which have received approval for

Government aid. Herbert has been offered £4.2m under the scheme, making it the largest beneficiary, about half of which is for product development. The next products to be launched will be more specialised and of higher value, and mostly with computer control. Mr. Lees says "failure to update its range of products was the main reason for Herbert's collapse, and it will be on the success of these new products now that its survival will depend."

In the case of Herbert, Government assistance was a vital factor in its product development programme. For some other companies, it is a moot point whether the availability of a 25 per cent grant towards development costs was the reason for undertaking investment programmes, or whether their motives were wholly inspired by the needs of the market. If the Government makes money available, then companies will usually take advantage of it. Some companies undoubtedly found that the form-filling and visits by Department of Industry officials which Government aid involves were too onerous and decided against applying.

If a company has to provide 75 per cent of the costs, then obviously it is going to think hard about the commercial justification for its own investment as well as the government incentive. But Mr. Howard Barrett, director general of the Machine Tool Trades Association, thinks that the scheme "has definitely brought forward investment, with the result that all the more important companies now have a clear programme on product development."

Adcock-Shipley, owned by the Texton group, is one of the enthusiasts. The company had built up its reputation in standard milling machines. Partly as a result of

the scheme, it decided on a two-pronged programme which would both increase its capacity and efficiency in maintaining its traditional product, and make the jump into much more sophisticated milling machines. The company has recently completed new building and equipment projects at its Leicester and Bridlington factories, and is working on a five-year product development programme. Mr. Arthur Aldridge, managing director, says "the scheme was too good to miss. We hope to beat not only the imported competition with our new products, but also to carve out new markets for them in the U.S., Germany and France."

## Product types

The Economic Development Committee for the machine tool industry admitted in its 1977 report that the industry had been weaker in the faster growing, more sophisticated product types. Not all product development needs are in the NC field, however. In its latest report, the EDC draws attention to reliability, noise control, safety of operation, more widespread application of electronic and micro-processor based technology outside the numerical control field, and alternative materials.

Machine tools manufacture has always been an industry which enjoys a high degree of international specialisation. This reflects the wide variety of machines which are required, and the fact that most of them are produced in small batches. Thus companies have tended to build up an international reputation, with probably half a dozen or so making a particular type of machine and selling it throughout the world.

This tidy pattern, however, is being changed by the growing capability of the newly indus-

## GROSS INVESTMENT IN MACHINE TOOL INDUSTRY

	(£m)			
	Plant and Machinery	New Building	Current prices	1975 prices
1970	10.4	14.2	2.2	n.a.
1971	8.5	14.2	2.2	2.6
1972	8.2	11.5	0.9	1.4
1973	11.9	14.9	2.5	2.8
1974	9.5	9.3	1.8	1.8
1975	12.9	10.8	1.3	1.2
1976	23.8	17.0	2.6	2.7

DoI supported investment spread over 3 years As an annual average \* 1979 prices. † provisional.

Source: Department of Industry

trialising countries, including Spain and east European countries as well as those in the Far East, for manufacturing the less sophisticated products. At the same time, Japan, which had previously not been a threat in machine tools, is building on its expertise in electronics and capturing a growing share of the market for NC tools.

Although many British companies are continuing to do well in standard products, the trend must be for the industry to concentrate on advanced technology. This has been recognised for some time. It was the reason for the government rescue of Kearney and Trecker Marwin, which had helped to pioneer NC in the UK.

The most recent trading figures for the industry, however, confirm that the correct balance has not yet been achieved in Britain. The average value of each tonne of machine tool equipment exported last year was £3,250, against \$4,000 for each tonne imported. Although these figures oversimplify the issue, they offer some guide to the industry's present product mix. A walk around almost any factory highlights the widespread use of imported machine tools, particularly NC machines.

The Department of Industry is hoping that it will have plugged some of these product gaps with the investment aid scheme, not all of which are in NC. Supertech Engineering, for example, has been offered £77,000 in assistance towards the manufacture and design of

welding equipment, with the specific purpose of combating imports.

Lundis Lund, owned by Litton Industries of the U.S., makes a range of cylindrical grinding machines and disc grinders, mostly for the motor industry. An expansion programme costing £1.8m, for assistance of £300,000, and the company says that the Government scheme was a factor in encouraging its American parent to expand in Britain.

Other examples are Joseph Rhodes, part of the Lindestries group, which has a grant of £182,000 towards expansion and re-equipping costs of nearly £1m for the manufacture of presses, while on a much smaller scale, Advance Automation Assembly is being assisted towards the cost of £110,000 in setting up a larger factory.

The Government's industry schemes were designed as encouragement for industries to modernise, and increase their competitiveness. In no sense could they enforce the sort of massive changes that are sometimes needed in British manufacturing industry. In spite of the results so far, the current indications are that the scheme is being taken up more slowly than had been hoped. But on product development, at least, it will be another two years or more before a full assessment of the scheme's effectiveness can be attempted. However it seems to have given the industry the push that was urgently needed.

## Letters to the Editor

### Running a deficit

From the Managing Director, Schlesinger Investment Management Services.

Sir—I hope that you will permit me to raise the points made by Mr. Shibley (March 17) and by Mr. Shucksmith (March 21) arising from my letter of March 13.

While he takes the point that the National Debt as a proportion of GNP is much lower now than in 1945, it is difficult to understand the logic that "faced with this trend one is left to wonder to what extent the public sector is really a borrower at all." In money terms the public sector is a very substantial borrower and surely one should look at these things in money terms as opposed to as a proportion of GNP. After all, personal taxation and personal incomes are regarded by individuals in money terms and not as a proportion of GNP. Furthermore, is the fact that National Debt as a proportion of GNP has fallen dramatically of relevance to the finance director in British industry contemplating whether he should or should not borrow at current interest rates fixed for 20.25 years? The primary consideration in making such a decision must be the sustainable return on capital employed from any capital so raised relative to its cost.

Mr. Shucksmith's point relates to the suggestion that if inflation continues at 10 per cent or more the real cost of current borrowings is modest and for corporate debt after corporation tax relief at 50 per cent the real cost is not a cost, but a gain. On this analysis one has to ask why is it that British finance directors are not borrowing substantial amounts in the new corporate debt market. The answer surely is because it is necessary to adjust return on capital for the rate of inflation as well as the cost of borrowings. One can either compare gross return on capital with gross interest cost (i.e. gross of inflation) or interest cost net of inflation with return on capital net of inflation. A further major problem of British industry is that the real return on capital is not high enough, but that is to side-track the discussion in another direction.

Several people have written to me saying that the logical explanation of why the authorities continue to borrow vast sums at current interest rates fixed for long periods is that they are making the assumption that inflation will reduce the cost of such borrowings significantly if it is considered by those responsible for making the decision to continue issuing new tranches of long-dated gifts at current yields that inflation will remain at least at current levels, then where does that stability policy of exchange rate stability favoured by the Prime Minister, the Chancellor of the Exchequer and the Governor of the Bank of England? Mr. Healey has referred to the fact that inflation is the mother and father of unemployment and that exchange rate depreciation causes inflation after a time lag. Both Mr. Healey and the Prime Minister have pointed to the overriding importance of reducing the level of inflation in the "UK," it is naive to believe that they meant what they said? Does it follow that they themselves, holding these views, are not responsible for the decision to continue

issuing new tranches of long-dated gifts? Is it possible that the permanent civil servants do not agree with the Prime Minister and Mr. Healey on the question of inflation and exchange rate stability? Do the views of the National Institute for Economic and Social Research have greater influence at the Treasury than the views of the Prime Minister and Mr. Healey?

In the last paragraph of my letter I was not arguing in favour of a balanced Budget, but only to make the point that a major reduction in the deficit (if rational analysis concluded that that was the objective) could only take place over a number of years to avoid economic disruption. What last year's deficit was achieved in running a Budget deficit if it resulted in forcing interest rates to current levels? What was the case for financing that deficit by issuing long-dated paper rather than shorter-dated paper? Clearly, neo-Keynesians argue that the deficit creates employment; do they recognise that high interest rates, after a time lag, create unemployment?

While it may be that the answers to these relatively simple questions depend on "unsolved problems at the frontiers of economics," one hopes that the debate has only just begun on these matters. Peter Baker, 19 Hanover Square, W1.

### The battle for Corby

Sir—Your article (March 21) on the battle for Corby highlights forecasts I made in 1966-1968, yet I get no satisfaction from this and other similar long range predictions as I have never been privileged to have a wonder of a crystal ball but have formed by opinions on firm and proven data for industrial development and sound plant location study techniques. Corby is a fine town. Its people, the environment in which it is set, and the optimum location it achieves for several manufacturing industries only emphasises the tragedy of the present situation. Unfortunately, apart from the current impact of the proposed steel works closure, one has to go back to around 1965-66 to realise that there was then an absolute adverse attitude by governments to control to the granting of industrial development certificates for new industries which has continued until most recently. In those earlier days, I strived as plant location consultant to a major multinational—and with fine co-operation from Corby Development Corporation—to secure an IDC for a large re-location of a Leicester plant suffering from site and labour shortage constraints which, it was found, could be met entirely in Corby. In a totally unreasonable manner an IDC was refused and cogent proven facts were cast aside. In the following years a further four (at least) optimum plant locations could have been determined for Corby, but governmental constraints were so rigid that all efforts were killed off before even the birth of negotiation. Had these studies led to new plant investment in Corby at least 12,000 new jobs would have been secured plus. I would forecast, at least 5,000 further new jobs by reason of normal growth expansion.

More recently governmental control has been eased but economic and other factors are now so much worse as to make a resolution more difficult. During the long period of refusal of IDCs—in many otherwise optimum location areas, including Corby, I was also privileged to be concerned with British Steel Corporation from 1966 for redundancies (through to 1970) at Port Talbot, south Wales, which proved to be a most successful operation, but in this case the former Steel Company of Wales looked well ahead this making the task more realistic. It is now very late in time, but perhaps not too late for Corby's present crisis. W. Gordon Lilly, 4 Sandhurst Close, Sandhurst, South Croydon, Surrey.

### Engineers pay

From Mr. R. Coudrey. Sir—Mr. G. Johnson (March 21), bemoans the low salary status of engineers, with particular reference to those in research and development. He, and other readers, will be pleased to know that the tide is definitely turning. The latest REWARD salary survey showed that engineers from all disciplines received an annual increase of 20.4 per cent. This was well above the general rate for management which was 13.6 per cent. The field was led by chemical engineers (up 30.4 per cent) and was followed by electrical and electronic engineers with a rise of 22.2 per cent. The rates are not specific to R and D but analysis for last autumn confirms this trend with research and development departmental heads receiving 21.7 per cent and section heads 21.0 per cent. I would not go so far as to suggest that contracting-in is invariably the better buy for all men and women, but Eamonn Fingleton's approach would certainly appear to support this contention. R. K. Sloan, Martin Paterson Associates, 9, Albany Place, Edinburgh.

### Reforming the rate

From the Prospective Liberal Parliamentary Candidate, Wolverhampton NE. Sir—Mr. Burridge (March 10) forgets that council tenants pay rates, too. Admittedly they are hidden in the rent, but nonetheless bear heavily on wage-earners who are just above the assistance level. It is becoming ever clearer that Labour/Tory tinkering with the system is useless. Radical reform is the only answer. Liberals have long said that a local income tax, regionally administered under devolved local government, and forming part of a national tax credit scheme, would sweep away anomalies and unfairness. As an interim measure, we would like to see the costs of education (the largest item by far) transferred to the Exchequer. Rates are as outmoded as the old Schedule "A" property tax, and like it, should be consigned to the fiscal dustbin as soon as possible. Larry McLean, 84 Coddall Road, Wolverhampton.

married women currently paying the reduced 2 per cent NI contribution would generally be able to step up to full contributions. While I agree with his general conclusions, I feel that certain further points should be made.

He assumes that the best alternative savings vehicle for wives with contracted-in employers is a personal pension plan, which however ignores the fact that several million contracted-in employees also belong to occupational pension schemes and would hence have only the added value contribution option open to them. The assumption that being contracted-in is synonymous with having no occupational pension scheme is quite prevalent, but quite wrong.

It is interesting to extend Mr. Fingleton's analysis for wives to an examination of the similar impact on husbands. Using his same arithmetic, I reckon that a contracted-out man aged 45 (in above) earning £100 per week would pay an extra £105 NI contributions on contracting-in in return for which he would receive benefits with a true value in today's money of £627, if he is assumed to live for 12 years in retirement. We must of course not overlook the fact that his employer would also pay extra NI contributions of £188, making £293 in total, but still considerably less than the £627 benefit value.

I would not go so far as to suggest that contracting-in is invariably the better buy for all men and women, but Eamonn Fingleton's approach would certainly appear to support this contention. R. K. Sloan, Martin Paterson Associates, 9, Albany Place, Edinburgh.

### Electrifying the rails

From the Chairman, Railway Development Society. Sir—One of the advantages of a rolling programme of railway electrification in this country would be to provide a strong home market for our railway industry. The world's railways are estimated to have a "shopping list" of about £10bn, much of it for electrification projects. As the motor industry keeps telling us a strong home market is essential for success in overseas markets. The same reasoning applies to the railway industry. R. V. Banks, Savernake, 121, Ashford Road, Bournemouth, N. Maidstone, Kent.

### Facts and reasons

From the Managing Director, Fine Tubes. Sir—I read Wilfred Brown's "How managers should talk to employees" (Management Page, March 19) with growing concern; it is sad when manager of Lord Brown's eminence recommends the continuation of discredited policies which lie at the very heart of our industrial malaise. Management has been, and is, engaged in a battle for the minds of men. It has increasingly lost the battle—and just possibly lost it because it has not been prepared to recognise that a battle exists. In today's industrial scene, a manager's first responsibility is

to communicate his objectives to those for whose activities he is responsible and to ensure that his message is received and fully understood. This includes not only the facts but the underlying reasons.

If he is to fulfil this prime responsibility, Lord Brown notwithstanding, the successful manager will need, on occasion, to communicate person-to-person with every single employee—in small groups of not more than about 25 please—and he will require to deploy to the full all of his powers of argument and persuasion. Needless to add, there is no place for biased representation, if for no other reason than that it is counter-productive.

This communications responsibility cannot be delegated, and certainly not to shop stewards; nor can it be accomplished by letters or notices, frequent or infrequent.

The challenge for the manager is to earn the confidence and trust of those who work with—not "for"—him. With this achieved, to paraphrase Lord Brown's final sentence, "The results... will be astounding." T. M. Barclay, Estover Works, Crownhill, Plymouth.

### Actual working time

From the General Secretary, Association of Professional Executive Clerical and Computer Staff. Sir—A lot of attention has been given to the question raised by Mr. N. Trotter MP for Tynemouth about effective working time in British Shipbuilders yards.

The fact is that a great deal of the time not effectively used arises from bad organisation in so far as work is not available in the right place at the right time and that if the flow of work were properly planned and organised something like half the waiting time could be eliminated.

Mr. Trotter used his question to the Secretary of State for Industry as the basis for an attack upon British Shipbuilders and upon workers in the industry. It is, therefore, interesting that the secretary of our Tyne shipbuilding branch sent to Mr. Trotter, in December 1978, prior to nationalisation, the transcript of the BBC programme "The risk business" which highlighted the question of effective working time and Mr. Trotter at that time advised our branch that he read the transcript with interest.

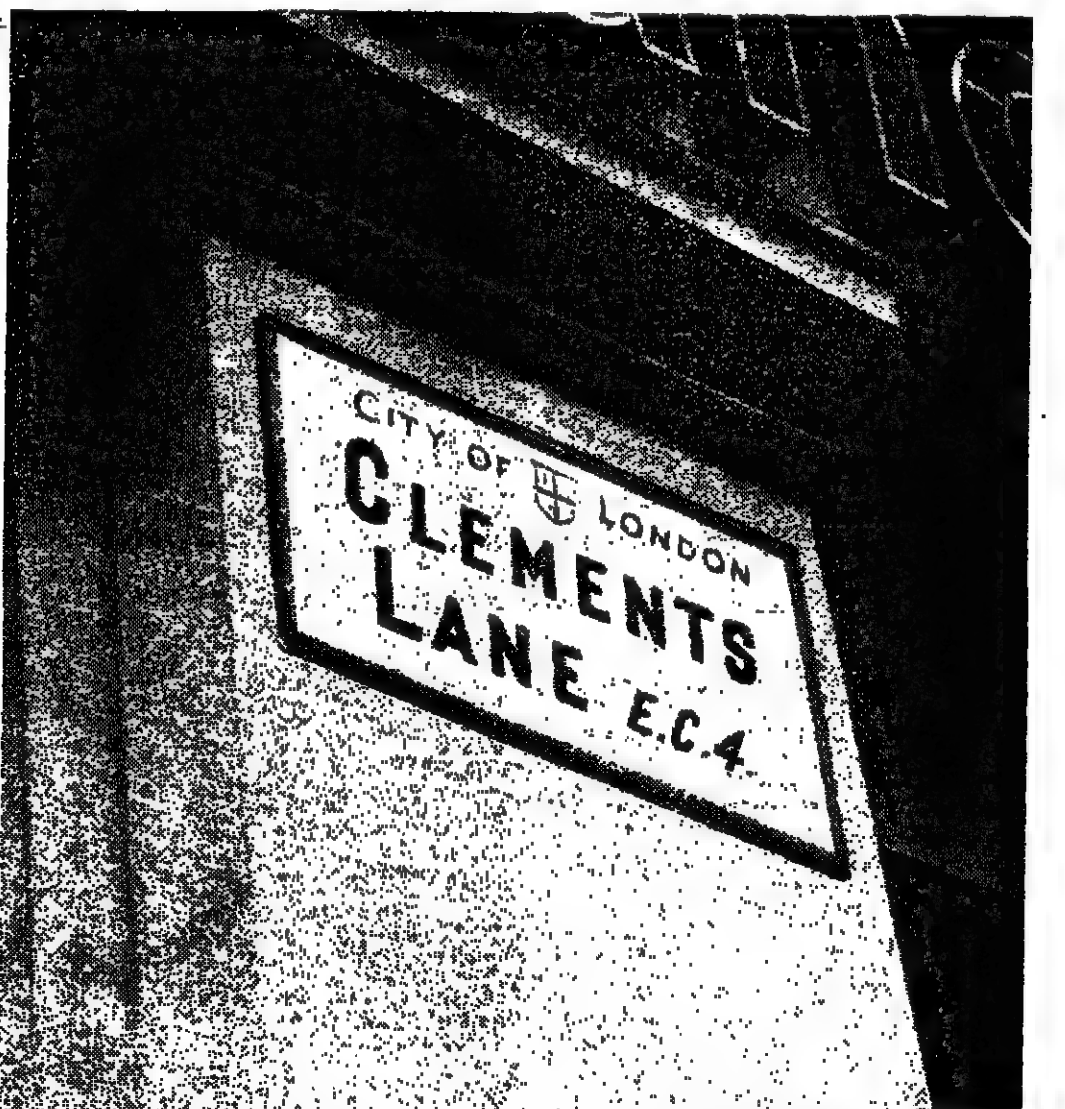
As my branch secretary has indicated to Mr. Trotter he did not ask a question of the Industry Secretary about the issue then, presumably because the industry was still in private ownership at that time.

British Shipbuilders tabled proposals to improve organisation and working efficiency some six months ago. What we need is support for the industry not bad publicity for purely political ends which will be quoted by our competitors throughout the world.

It is a pity that Mr. Trotter, representing a shipbuilding constituency, has less concern for the industry than he has for making party political points. Roy A. Grantham, 22, Worple Road, SW19.

## Today's Events

12: Colonial Securities Trust, 117 Old Broad Street, EC, 12.16. Drake and Scull, The Churchill, Portman Square, W, 11.45. Edinburgh American Assets, Caledonian Hotel, Princess Street, Edinburgh, 12.15. Empire Plantations and Investments, Empire House, 123 Kennington Road, SE, 11. Glass and Metal, Connaught Rooms, 62 Great Queen Street, WC, 10.30. Lancashire and London Investment Trust, Winchester House, 100 Old Broad Street, EC, 10.45. Moor-side Trust, 44 Bloomsbury Square, WC, 10.30. Pleasurama, Park Lane Hotel, Piccadilly, W, 12. Prestige Group, Prestige House, 14-18 Holborn, EC, 12.



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# Grattan reduces shortfall with second half pick-up

FOLLOWING the disappointing mid-year result when pre-tax profits fell £1.62m to £4.47m, Grattan Warehouses, the mail order concern, made some recovery in the second six months to leave the total lower at £10.65m for the year ended January 31, 1978, compared with the record £11.76m previously. Sales, excluding VAT, rose from £154.74m to £176.6m.

The directors say trading demand for the autumn/winter catalogue during the second half was strong and sales increased by over 21 per cent in line with the company's commitment to improve market share.

Trading profits during the period improved by 14 per cent reflecting more competitive pricing as well as additional costs of computerisation and modernisation.

The plan to increase the number of lines and step up recruitment of new agents, combined with computerisation and modernisation, is proceeding as forecast.

Initial demand from this year's spring/summer catalogue, with a substantially increased range of merchandise, has maintained the improvement seen in autumn 1978, the directors report.

Stated earnings per 25p share were 15.85p (14.29p) and the final dividend is raised from 3.80p to 4.25p net, bringing the total payment to the maximum permitted £21.10 (£5.82p), costing £2.73m (£2.49m).

See Lex

## Gibbs and Dandy advances

ON TURNOVER up from £9.03m to £10.69m Gibbs and Dandy lifted taxable profits for 1978 from £405,472 to £473,944. At mid-year the group raised pre-tax profits £132,878 to £171,491.

The dividend per 10p ordinary and A share is increased from £1.81p net to 2p. And there is a scrip of one non-voting A share for each ordinary and each non-voting A share.

Tax for the period takes £147,496, against £108,193.

Comparative figures have been restated because of a change in deferred tax policy.

The group is a builders' merchant, ironmonger, tool merchant and electrical wholesaler.

# Zenith well down at £281,000 and cuts dividend to 2.62p

IN THE second six months of 1978, Zenith Carbuiretor Company incurred a pre-tax loss of £85,000, against a £437,000 surplus last time, which left full year profits well down from a record £1.32m to £251,000. Turnover fell £0.53m to £11.34m.

At the trading level, there was a loss of £145,000, compared with £851,000 profit, before investment income reduced from £326,000 to £302,000 and lower deposit interest of £214,000 (£210,000).

Stated earnings slumped to 2.5p (10.8p) per 50p share and the net dividend is cut from 4.39p to 2.62p.

Tax took £136,000 (£83,000) and there was an extraordinary credit of £163,000 (£117,000).

The company, which has "close" status, is ultimately held by Compagnie Industrielle et Financière.

### comment

Zenith Carbuiretor's results show a disastrous fall in pre-tax profits from the respectable levels achieved in 1976 and 1977. Zenith blames low demand and



Mr. Michael Pickard, chairman of Grattan Warehouses.

## Wilmot Board wants 135p cash for its support

BY JOHN MOORE

The board of Wilmot Breeden has considered the 135p a share revised offer from Rockwell International, made last Friday, and decided that it is not enough.

Before the Wilmot board is prepared to back any bid of Rockwell, through recommending it to shareholders, it wants a 135p cash offer to be made.

At that price a share of 235m would be placed on the whole of the company.

Wilmot is also planning, through its advisers Morgan Grenfell, to make representations to the Takeover Panel about the behaviour of Rockwell.

The Panel has been questioning Rockwell's advisers over its rapid change of mind last week on indicated offers for the company and why, when Rockwell was publicly offering 95p per Wilmot share on Monday, it was prepared to offer 115p on Friday.

Wilmot said last night that it believed "that a merger with Rockwell would not be against the interests of the employees,

suppliers and customers.

"Subject to the receipt of certain assurances regarding the continuity of employment and pension entitlements of employees, the board of Wilmot Breeden will be informing the Office of Fair Trading that it knows of no reason for the merger to be referred."

But Wilmot added: "The proposed offer is significantly under-valued. Wilmot Breeden and should be rejected."

Wilmot is prepared to recommend an offer by Rockwell of "135p in cash for all the ordinary shares in Wilmot Breeden not already owned by Rockwell."

Wilmot is planning to write to shareholders giving its reasons for rejecting Rockwell's proposed offer of 115p "after the despatch by Rockwell of its formal offer document."

In the meantime shareholders are "strongly advised to take no action in relation to the offer."

## Industrial dispute leaves Boddingtons' on £3m

INDUSTRIAL action affected both volume sales and profits at Boddingtons' Brewery in 1978. Again with just over £1.7m taxable earnings coming in the second half, the Manchester-based brewery finished the year with surplus little changed at £3.09m, against £3.07m.

An advance of £0.26m to £3.35m at the trading level was offset by lower investment income and higher depreciation and finance charges.

Free trade sales continued to rise and represented some 15 per cent of total turnover which was ahead from £17.91m to £18.56m.

The current year has started reasonably well and despite the bad weather volume has improved on the same period of last year. Mr. Ewart Boddington, the chairman reports.

"Although costs have increased during the year, we have the benefit of a recent lift in prices: our local beers remain popular and are still competitively priced. We have good reason, therefore, to look for further progress in 1979."

As forecast in November a net final dividend of 1.51p per 25p share effectively raises the total payment to 2.01p (£2.00p) on capital increased by scrip issue.

The company's £1.64m development programme, which has already substantially increased productive capacity, is almost complete. A further £1.2m is earmarked for the next phase, bringing total expenditure to around £2.84m.

	1978	1977
Sales	18,560	17,914
Gross profit	3,352	3,130
Investment income	25	158
Finance charges	81	67
Depreciation	152	152
Pre-tax profit	3,094	3,066
Tax	1,020	1,063
Net profit	2,074	2,003
Dividends	78	30
Attributable	2,152	2,033
Retained	1,494	1,444
Deferred tax treated in line with SSAP 15		

### comment

Industrial unrest bit into Boddingtons' margins last year disappointing analyst's expectations of a pre-tax surplus of £3.4m. A strike early in the year cost Boddingtons a full two weeks of production and a three week overtime ban cut into the summer output. The brewery now is confident that industrial troubles can be kept to a minimum in 1979. The main growth area remained the network of free trade outlets where sales have risen from 9 per cent in 1978 to 15 per cent of the total last year and look likely to top 17.15 per cent this year. A £1.6m development programme is beginning to pay off but this, combined with an additional £1.2m investment plan, has increased interest payments and slowed profit growth. An improved distribution system forms the nub of this investment drive but it is unlikely to come into full operation before the beginning of 1980. Boddingtons' continues to lean heavily on its local brew which, with the increasing demand for "traditional ales," has proved a profitable formula. The shares at 106p are at a low-tax p/e of 11.3 and a yield of 4.2 per cent.

# 23% improvement gives United Newspapers £6.9m

ON AN 18.7 per cent increase in turnover, United Newspapers improved 1978 pre-tax profits by 23 per cent to £6.9m. At the interim stage the profit advance was from £5.6m to £6.9m.

All the company's major activities—newspapers, magazines and commercial printing—made their contribution to the year's improved performance, with the turnover figure rising from £48.33m to £57.4m. Within that figure, the revenue from newspaper advertising expanded by over 15 per cent to almost £29m, with a 7 per cent increase in volume. A particular feature was the buoyancy of the classified market.

Over £4.8m was spent on technological development and on improving working conditions, the largest single item being the completion of new plant and premises at Northampton.

The directors report that the first few weeks of the current year were adversely affected both by bad weather and by industrial action, but trading has now reached a satisfactory level.

Tax for the year under review took £2.34m (£2.17m) and stated earnings per 25p share rose from 48.45p to 64.6p. The net total dividend is raised, from 14.1015p to 16.6095p, with a final payment of 9.2324p.

The pre-tax profit included

## HIGHLIGHTS

Lex considers the real value of sterling, currently boosted by rising oil reserves and looks at Sime Darby in the wake of its lapsed bid for Guthrie Corporation. Grattan Warehouses has shown some second-half recovery. Elsewhere, Wilmot Breeden is making strenuous attempts to resist the controversial offer from Rockwell while Mills and Allen has placed its stake in William Watlingham. Brent Chemicals has launched its third rights issue in four years to pay for a small tierman acquisition, while pre-tax profits in 1978 climbed by 19 per cent. After consultations with the Treasury, Equity and Law Life has increased its dividend by 16 per cent while profits from Ricardo Consulting Engineers, Appleyard and Boddington Breweries all climbed appreciably. The coupon on yearling issues fell by 1 per cent to 11 1/2 per cent.

Investment income of £445,000, compared with £502,000, the downward bias due partly to a decline in average interest rates and partly to a reduction in sums invested. At the year end the company's cash resources amounted to £4.51m.

### comment

Profit growth at United Newspapers slowed in the second half. The main reason was the NUI dispute in the final quarter which forced the group to reduce the number of pages in its publications. Smaller papers led to reduced advertising volume and lower margins. For the year

as a whole, advertising revenue was well up with both classified and display advertising showing volume increase of approximately 8 per cent and 5 per cent respectively. The share price jumped 7p to 355p yesterday, and, although strikes and poor weather have hit the trading performance in the opening weeks of the current year, there is a strong possibility that the full year will see another increase in the profits on the back of buoyant revenues. The shares are trading on a p/e of 5.4 and a yield of 0.7 per cent. The rating is lower than that of most provincials.

# Appleyard near £2m in buoyant car market—and confident

TRADING LOSSES, amounting to £0.39m, arising during reorganisation of its Glasgow business, slowed growth at Appleyard Group of Companies, vehicle distributor and retailer, in 1978. Even so taxable profit climbed to a record £1.95m, from a restated £1.38m, on sales £38.6m higher at £128.5m.

September the directors said that demand for new cars had been exceptional in the first six months. Though they warned that reorganisation costs would continue to have some effect they expected a satisfactory outcome for the year.

BL factories are now producing cars of good quality, at a steady rate, which should enable the car manufacturer's market share to be increased. Also Ford main dealerships have now recovered from the damaging effects of the strike and are making a very healthy contribution to Appleyard's profitability.

Although business was affected by the adverse weather conditions at the beginning of 1979, the car market is reasonably buoyant and the directors remain confident about the full-year results.

The tax charge for the 12 months was up at £0.53m (£0.32m) leaving stated earnings per 25p share lower at 17.45p (18.16p).

The net total dividend is stepped up by 2.72 p to 6.25p (4.91p) by a 4p final as forecast.

A change in accounting policies has released £2.05m in deferred tax to shareholders' funds and there is a £86,000 depreciation provision on freehold and leasehold buildings. Comparatives have been adjusted.

Over two-thirds of total profit in 1978 came from Rolls-Royce, Ford, Budget, Renta-Car, commercial vehicles, fuel oil distribution, credit financing, contract hire and leasing. The changes at Glasgow were in line with the BL refuelling programme.

Liquidity, which was improved

by some £1.5m during the year by disposals related to the rationalisation of franchises throughout the group, was enhanced by a further £2.5m this March when a new stock financing scheme was introduced by BL Cars.

As a result of negotiations with its bankers Appleyard has replaced existing secured medium-term loans of £1.8m due in 1982, by £2.6m unsecured medium-term loans running to 1986.

A revaluation of group properties at year-end showed a net surplus of £1.5m over book value.

As known, the group is currently negotiating to buy James Tweedie's motor business and premises at Ayr, which have an estimated value of £0.54m. This would give Appleyard the franchises for Jaguar, Daimler, Rover, Triumph and Land-Rover making it the sole BL distributor in that territory.

	1978	1977
Sales	128,500	120,000
Operating profit	1,950	1,380
Share of associates	263	314
Pre-tax profit	1,687	1,064
Tax	238	167
Net profit	1,449	897
Dividends	30	30
Attributable	1,419	867
Retained	30	30
Deferred tax treated in line with SSAP 15		

### comment

The backbone of Appleyard's profits remains the car market so it was hardly surprising that throughout the year the group attempted to reduce its dependence on BL cars. By spreading its network of suppliers, Appleyard appears to have anchored its long-term position in the market. Fitting into this pattern, the acquisition of the four Endeavour companies provided some important Ford main dealerships, and a significant contribution to profits. Commercial vehicle sales also improved, thanks mainly to the

success of Scania in Scotland. The agricultural machinery division, however, only just managed to break even, reflecting a bad year for farmers and a constriction of farm budgets. The major blow to Appleyard's margins came from trading losses in the North following the restructuring of three depots in Glasgow. This move, in line with the BL refuelling programme, is seen as a one-off event and is unlikely to affect this year's margins. The shares at 96p are on a low-tax p/e of 5.3 and a yield of 0.2 per cent.

## Blue Bird progress checked

MARGINALLY lower taxable profit of £38,610, against £38,045, is reported by Blue Bird Confectionery Holdings for the half year to December 23, 1978. In the second half the road haulage dispute and severe weather reduced demand in the early part of 1979, and some export business has been lost through the disruption of shipments with resultant loss of earnings.

However, a substantially lower tax charge of £35,344, against £44,428, for the half year left earnings per 25p share up 2.07p at 8p.

Overseas sales were buoyant during the six months but the growth of home sales slackened leaving turnover up £0.73m to £6.62m. Expansion of sales in certain markets is being limited by the strengthening of sterling, the directors point out.

The net interim dividend is effectively stepped up to 1.36p (1.015p)—last time 1.277p final was paid from record profit of £0.54m.

The West Midlands-based company was formerly known as Harry Vincent.

# West of England jumps midway and forecasts further increase

NET TAX profits of West of England Trust jumped from £217,000 to £500,000 in the half year to December 31, 1978.

Mr. A. E. M. Harbottle, the chairman, says the rate of earnings in the second half is likely to exceed that of the first. But he does not expect to see the same level of increase which took place last year when group profits totalled £86,000.

He adds that all three divisions contributed to the first-half increase, and they have continued to trade satisfactorily in the third quarter.

After minorities and extraordinary debits attributable earnings for the half year come out at £455,000, against £168,000. Stated earnings per 25p share are well up from an adjusted 1.39p to 3.08p.

Mr. Harbottle says the group policy of reducing its holdings of associated companies has been completed with the sale in the second half of the Marshall's Universal holding, and the reduction of the Spafax Holdings stake to 19.5 per cent.

The half-year results include only the dividends, figures for the corresponding period last year and for the whole year have been adjusted to give a better comparison.

The chairman adds that the investment division has acquired an interest in Hong Kong in the company which acts as its Far East representative. The banking business has been strengthened by the incorporation of Tyndall Bank (Isle of Man). These steps show the importance of the overseas business. The group is planning additional overseas development and hopes to carry out further projects in 1979.

The legal and financial services

division has agreed terms to acquire Just and Co's business of company registration and search agents in London as from April 3, 1979.

Industrial and commercial investments benefited from the first full half-year earnings of Matthias Spencer and Woodberry Chilcott. Both produced satisfactory contributions. A development programme at Woodberry Chilcott has been started, and as first step a new steel warehouse in Bristol will be completed and brought into operation in the near future.

As forecast at the year-end the group is paying a second interim

dividend of 0.85p net. A first interim of 0.3683p was paid on November 10 last year. The total payment for the year ended June 30, 1978, was 1.6317p.

	Six months 1978	1977
Operating profit after tax	586	291
Investment income	382	244
Legal & financial services	47	36
Interest & management charges	146	11
Profit after tax	500	217
Dividends	40	2
Attributable	458	168
Retained	291	64

# Brent Chemicals £0.6m cash call

Brent Chemicals International is to raise almost £500,000 through a one-for-three rights issue at 20p. The proceeds will be used to finance the acquisition of Reimke of West Germany for which a £653,000 consideration has recently been agreed.

The specialist chemical manufacturer has Bank of England approval to pay £385,000 of the sum from UK resources, and will fund the residual payment through German bank loans.

Reimke makes and markets a range of specialty chemical products and profits, steady over the past four years, totalled £132,000 in the 10 months to 31 October, 1978. Net assets on that date were around £184,000. BCI sales during 1978 rose by almost 16 per cent to £22.03m and pre-tax profits climbed 19 per cent to £2.66m. On a reduced tax charge, earnings improved 37 per cent to 18.3p per share.

Brent's own operations were free of industrial disputes but inevitably a significant amount of business was lost because many of its important customers suffered disruption.

Overseas markets were more settled and activities abroad made good progress in general, although political uncertainties

adversely affected industry in Spain.

The net total dividend for the year is raised to 3.44p and, on the assumption that dividend controls will continue after July 31 this year, the Board intends to make a total payment of 3.747p for 1978.

### comment

After three rights issues in four years, it is difficult to avoid the conclusion that Brent Chemicals is keeping its powder dry to make a big acquisition. Certainly Reimke does not fall into that category any more than the Shwarz Services takeover last December where the £456,000 price contained a substantial deferred element. The rights issue discount is huge but the yield, on the forecast payment for 1979, is still a mere 2.5 per cent at the ex-rights price. The p/e of 13.7, stated earnings is a similar reflection of the investment attraction of an industry where fixed investment is low, where the impact of fixed stock price increases is minimal and where the return on capital is very high. Brent achieved a 67 per cent return last year with the best performance coming from the food-brewing and institutional division. Given the long lead time required to develop a new product area and with gearing still at no more than about a fifth, Brent retains the resources to stay on the take-over trail. The share climbed 10 yesterday to 285p.

## Yearlings down to 11 1/2%

The coupon rate on this week's batch of local authority yearling bonds has dropped slightly from 11 per cent to 11 1/2 per cent. The bonds are issued at par and are due on April 2, 1980.

The issues are: Lothian Regional Council (£1.35m), Newcastle City Council (£0.5m), Newcastle Metropolitan Council (£0.5m), Doncaster Metropolitan Council (£0.5m), Three Rivers District Council (£0.25m), Bassetlaw District Council (£0.5m), North East Fife District Council (£0.5m), Rotherham District Council (£0.25m), Dorset District Council (£0.5m) and City of Stoke-on-Trent (£1m). Bonds with a coupon of 11 per cent are being issued by West Dorset District Council (£0.5m) and City of Stoke-on-Trent (£1m) due on March 24, 1982 and March 23, 1983 respectively, both at par.

Ratcliffe District Council is issuing 20,000 three-year variable rate securities at 9 1/2 per cent maturing on January 24, 1983 at a margin of 11 per cent over six months LIBOR.

## DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Current dividend	Total last year
Appleyard	1.36	April 23	0.81	2.17
Boddingtons' Breweries	1.51	April 23	1.27	2.78
Brent Chemicals	2.44	August 3	2.01	4.45
Brooks Group	2.36	July 3	2	4.36
City and Ind. Tel. Int.	2	April 23	1.8	3.8
Dunlop Bittum	1.78	May 18	0.83	2.61
Equity and Law	7.75	June 31	6.77	14.52
Gibbs and Dandy	2.43	June 31	1.82	4.25
Grattan Warehouses	4.25	June 31	3.80	8.05
Ricardo	2.73	April 20	1.15	3.88
Utd. Newspapers	9.23	June 13	8.22	17.45
Wace Group	1.06	June 30	1.08	2.14
W. of England sec. Int.	0.65	April 30	—	1.63
Wilkinson Warburton	3.95	June 6	3.51	7.46
Zenith Carb.	2.63	April 17	2.68	5.31

Dividends shown pence per share net except where otherwise stated. \*Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. ‡Includes 0.1p for tax charge.

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**Airsprung**  
(Manufacturers of beds and bunk beds)

**GROUP RESULTS**

	1978	1977
Year to end December	£000	£000
Turnover	12,844	9,355
Profit before taxation	1,171	817
Profit after taxation and minorities	845	514
Earnings per share	16.9p	10.3p
Dividend per share—net	4.7p	3.6p

**Points from the statement by the Chairman Mr. J. G. W. Yates**

- Another record year. Sales up 37%. Profits exceed £1 million for the first time. Earnings per share up 64%.
- General expansion of production space to meet increasing demand.
- Group well placed for the future.

The shares of Airsprung Group Limited are traded on the Over-the-Counter Market. Details of this market together with copies of the full Report and Accounts, due to be posted to shareholders on 12 April, 1979, are available from The Secretary at Canal Road Industrial Estate, Trowbridge, Wiltshire BA14 8RQ.



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Meeting in New York are some of the officers in Morgan's Financial Analysis Department. Clockwise from left foreground are Virginia Ashcraft, New York; Richard Johnson, London; Werner Pfaffenberger, Frankfurt; Michael Reddy, New York; Terrence Eccles, Hong Kong, and Paul Smith, Ferrell McClean, Paul Scura, New York.

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## THE GEORGE WESTON GROUP

## Expanding the business

BY ROBERT GIBBENS IN MONTREAL

WHEN THE late Mr. W. Garfield Weston took over his father's bakery in Toronto in 1924, he made a vow that he would build a business that would never know competition.

For more than 50 years, Mr. Weston kept that vow. He re-invested continually in Canada, took over scores of other companies, eventually buying up enterprises on four continents and his empire of manufacturing, wholesale and retailing operations, mostly in food processing and distribution, hit a peak sales volume of C\$7.3bn in 1974-75.

His main holding in the UK was the big Associated British Foods group and also the famous Fortnum and Mason store in Piccadilly.

Mr. Weston controlled his business empire through a maze of private holding companies and the Weston organization charts for many years were renowned for their obscurity. Sometimes top executives running different parts of the empire did not know that they were competing against companies which in fact were affiliates of the Weston world wide group.

However, in the mid-seventies a crisis came in the Weston group, as growth through acquisition and the search for higher and higher volume began to go sour. Mr. Weston was then 70 and he decided to hand over operating management to his two sons.

Both my sons have been trained from boyhood for their positions," he said in 1975. He remained president of the company, largely an honorary title, and retained management control only for Fortnum and Mason until his death. Now it is the North American holding company, George Weston, operated by Mr. Galen Weston, his younger son, which is con-

sidering making a bid worth perhaps C\$400m for 51 per cent of the shares of The Hudson Bay Company, the department store, real estate and resource giant, in direct opposition to the Thomson family of Toronto and London. Mr. Galen Weston, who is 37, always says that buying companies and getting someone to run them was his father's great strength. "He always left his generals completely autonomous, even if they didn't always know what each other was doing."

When Mr. Galen Weston took over the North American operations, earnings were in decline and there were problems, particularly in the Loblaw food retailing distribution chain in Canada and the U.S. and also at National Tea, the Chicago-based chain which Weston controls. He formed his own small group of "generals" mainly former university friends, and set about reorganising the North American operations.

Another son, Garry Weston, took over leadership of the British companies and the food processing and distribution chains in Europe, Australia and South Africa.

Mr. Galen Weston trimmed, reorganised, and returned the huge North American bakery, retailing, food processing and forest products operation to better health, taking one busi-

ness at a time and injecting fresh management and new ideas, sometimes with a flamboyant style reminiscent of his father.

The George Weston holding company in Canada is firmly controlled through two family holding companies in Toronto. Today, its constituent parts include the food processing division consisting of bakeries, confectionery plants and food speciality operations; the fisheries division takes in British Columbia Packers.

Food retailing and wholesaling includes the big Loblaw supermarket chain in Canada

Bay), itself Canada's largest merchandiser since the takeover last year of Simpsons and a major stake in Simpsons-Sears.

Weston says any Bay stockholders who have committed their share under the Thomson family's C\$31 cash bid should withdraw immediately if they want to have a chance to tender under the possible Weston offer.

Only last Friday, the Bay directors told shareholders they should not accept the Thomson offer if they are interested in the long term potential of Bay shares. They estimated that the shares are really worth C\$41 against the Thomson bid of C\$31 for the total of C\$365m for 51 per cent of issued stock. Before the Thomson bid, Bay shares were trading in the market at just over C\$20.

The Bay, to help see off the Thomson approach, raised its dividend last week and projected earnings in the current year at about C\$70m against C\$45m in the past year.

The Competition Bureau of the Federal Department of Consumer and Corporate Affairs now has a double headache, weighing both the Thomson and possible Weston bids in terms of competition in the retail market. At some point soon it must make a recommendation to the Cabinet. However, the Prime Minister, Mr. Pierre Trudeau has already called an election on May 22 and will have a strong temptation to hedge on what has become a national issue.

Mr. Galen Weston has a strong and energetic management team working with him in the group and would make a strong opponent for the Thomsons in the battle for The Bay. Analysts are estimating he may have to go as high as the equivalent of C\$50-57 a share if he wants to defeat the Thomson bid.

The news that the George Weston group may counterbid for control of Canada's largest retailer, The Hudson's Bay Company, against the C\$365m (US\$312m) already offered for 51 per cent of the shares by the Thomson Family, raises the prospect of a major tussle between the two leading Canadian entrepreneurial families, both of which have major interests in the UK

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## Canadian dollar Eurobond market reopens

BY FRANCIS GHILES

THE Canadian dollar sector of the bond market was re-opened yesterday, after being closed nearly 18 months, by Wood Gundy and Orin with a C\$50m five year bullet offering for Canada's Export Development Corporation. The indicated coupon is 10 per cent.

The borrower has also authorised the lead managers to place subsequent tranches amounting to C\$50m privately before the end of the year. This will be done on an agency basis by the two lead managers with no underwriting group, unlike the Brabant offer.

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so long. But the currency has been much firmer in recent weeks, moving up from C\$83.80 against the U.S. dollar at the beginning of March to C\$85.60 yesterday.

Prices of seasoned Canadian dollar issues have moved up by between 14 and 2 points since early March, with buying interest originating particularly from the Middle East and Switzerland.

The attraction for Canadian borrowers of seeking funds denominated in Canadian dollars abroad would not seem to stem from any particular advantage in terms compared with those they can get domestically, but rather from a desire to diversify their source of funds.

In the U.S. dollar sector, a \$50m FRN is being arranged for Banco di Roma, whose first foray into the international bond markets this represents. This bullet issue has an eight-year life, and investors will have the option to extend this to 12 years. The minimum coupon is 8 per cent and the borrower is paying an interest rate of 3 per cent over the six-month Libor rate. Joint lead managers are Credit Lyonnais, Commerzbank and Banco di Roma.

Prices of seasoned U.S. dollar bonds were a little weaker yesterday morning, but stabilised later in the day as the increase in the price of crude oil announced at the OPEC

meeting in Geneva turned out to be less than feared. Dealers however described trading as nervous.

Strong buying interest for sterling denominated bonds sent the price of the recent GEC issue up to 100 1/4, while the FFI bond was trading at 103 1/4.

In the Swiss franc sector, four privately placed Japanese convertible bonds have been signed in the past few days. Bank Julius Baer has arranged a SwFr 40m for Rhythm Watch. Final terms include a maturity of five years and a coupon of 3 1/2 per cent, the highest a Japanese borrower has had to pay for a Swiss franc convertible this year.

## Carter Hawley gain

Net earnings of Carter Hawley Hale Stores advanced from \$33.7m to \$40.3m in the fourth quarter, boosting annual returns from \$34.2m to \$63.8m. Earnings per share, diluted, were \$1.45 against \$1.26 previously, making \$2.32 for the year, compared with \$2.18. Annual sales rose from \$1.65bn to \$1.22bn.

The grave weakness of the Canadian dollar throughout last year was the main reason why this sector remained closed for

General Tire setback

General Tire and Rubber announced net earnings for the first quarter of 53 cents a share, compared with 80 cents last time, reported Reuter. Total net of \$12.4m compared with \$18.6m previously, and sales of \$516.9m with \$438.7m. The latest quarterly figures include provision of about \$1.3m net of tax benefit, or 7 cents a share, for reserve against investment in Iranian affiliate.

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Do your best customers have custody of your money?  
Are you ready for growth but only lack the finance?  
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## NORTH AMERICAN NEWS

## Sharon Steel to challenge UV Industries liquidation

BY DAVID LASCELLES IN NEW YORK

THE overwhelming vote of UV Industries' shareholders to liquidate their company and distribute the proceeds could "put out of business" a U.S. corporate attorney, Wall Street observers commented yesterday.

"At a packed and lively meeting on Monday afternoon, shareholders voted by 10.9m to 2.2m in favor of a management proposal to also sell off all of UV's assets and distribute the result approximately \$500m in cash over themselves."

But the event may not yet be over because of a legal challenge being mounted by the largest shareholder to oppose liquidation: Sharon Steel, controlled by Mr. Victor Posner.

Sharon believes it was justly deprived of the right to vote shares it bought after record date for the meeting, citing company law in the state of Maine where UV is incorporated. It intends to pursue its matter in the courts. If it is, it would not only throw

the liquidation plan into doubt, but would add further confusion to the already complicated proxy voting procedures.

The UV case is also important for what it says about today's equity markets. As one observer commented, "It's a case of capitalism coping out."

One of the main reasons given by the UV management for proposing the liquidation was that at today's depressed prices, the stock markets no longer reflect a company's true value. UV could go for further growth by acquiring new companies with its large cash assets, the management said, but even that course would not give shareholders the best possible return on their money.

Instead, the management decided that it could realise more per share by selling the company off altogether and ceasing operations.

UV could well be right. Before its liquidation plan was announced, the company's shares were trading at about

\$17. Today, they are worth about \$33, and by most analysts' estimates, the ultimate liquidation value will be over \$35, possibly even as high as \$40. UV management itself has refused to speculate what the ultimate payout will be because negotiations on the sale of assets have not yet begun.

UV did say, though, that several would-be purchasers had shown an interest. One reason analysts put a high liquidation value on UV is that its assets consist mainly of mineral, metals and energy producing properties which are currently in high demand as oil companies and big corporations seek to diversify.

Although the UV decision is unlikely to trigger a rush of liquidations, many people in Wall Street view its fate as a depressing precedent. It suggests that investment in the corporate world is a poor deal, and it shows that there are alternatives in corporate strategy to the pursuit of growth.

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## Rubbermaid forecasts peak year

WOOSTER—With a sizeable first quarter earnings gain, Rubbermaid sees at least six more months of "really good business," according to Mr. E. Noble, chairman and chief executive. He also predicted another record year and an increase in quarterly dividend, which

currently stands at 19 cents a share.

During the first period volume in the home and commercial products divisions has been quite strong. In addition, the company has not faced such severe weather problems and foreign currency exchange losses. The company recovered in the last three quarters, however, and the full year net grew by 12 per cent to \$19m or \$2.45 a share.

AP-DJ

automotive products. Earnings in the previous first quarter were flat at \$3.8m or 50 cents a share, because of weather problems and foreign currency exchange losses. The company recovered in the last three quarters, however, and the full year net grew by 12 per cent to \$19m or \$2.45 a share.

AP-DJ

AP-DJ

## Kaiser Aluminum looks for sharp gain

NEW YORK — Kaiser Aluminum and Chemical Corporation expects 1979 first quarter earnings to more than double the 60 cents a share earned in the 1978 quarter, according to Mr. William Hobbs, president and treasurer.

He also said Kaiser's 1978 earnings will "be up about one-third" over 1978 earnings of 53 a share. The 1978 figures have been restated for a two-

for-one stock split in November. He said first quarter results reflect strong aluminum demand and an unusually strong performance by the groups real estate operations, which

recently sold some property in California for more than \$30m.

Mr. Hobbs said the strong performance by the real estate operations in the first quarter would probably not be matched in the remaining quarters.

Mr. Cornell C. Maier, chair-

man, said Kaiser's recent price increases for ingot, billet and some extrusions were in line with the Government's recently revised voluntary price guidelines.

Aluminum Company of America yesterday reduced its ingot price to 55.5 cents a pound from 58.5 cents to comply with Government guidelines. Alcoa's price increase is to be effective April 2.

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## FT INTERNATIONAL BOND SERVICE

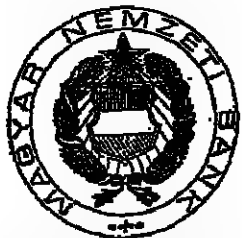
The list shows the 200 latest international bond issues for which an adequate secondary market exists. For further details of these or other bonds see the complete list of Eurobond prices published the second Monday of each month.

DOLLAR		Change on			OTHER STRAIGHTS		Change on					
Issued	Bid	Offer	day	week	Yield	Issued	Bid	Offer	day	week	Yield	
Arg. Int. 5 1/2 % 7/8	200	98 1/2	98 1/2	+0	+0	9.70	Nordic 1. Bk. 9 3/4 SDA	20	98 1/2	99 1/2	-0	9.22
Arg. Int. 5 1/2 % 7/8	200	98 1/2	98 1/2	+0	+0	9.70	Arg. Corp. 8 1/2 SDA	20	98 1/2	99 1/2	-0	9.22
Arg. Int. 5 1/2 % 7/8	200	98 1/2	98 1/2	+0	+0	9.70	Comm. Int. 7 1/2 SDA	15	97 1/2	98 1/2	-0	7.11
Arg. Int. 5 1/2 % 7/8	200	98 1/2	98 1/2	+0	+0	9.70	Penn. Ry. 9 3/4 SDA	20	98 1/2	99 1/2	-0	9.22
Arg. Int. 5 1/2 % 7/8	200	98 1/2	98 1/2	+0	+0	9.70	Arg. Corp. 8 1/2 SDA	20	98 1/2	99 1/2	-0	9.22
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This announcement appears as a matter of record only.

January 1979



# NATIONAL BANK OF HUNGARY

(MAGYAR NEMZETI BANK)

## U.S. \$300,000,000

Medium Term Loans

Managed by

**Morgan Grenfell & Co. Limited**  
**Amsterdam-Rotterdam Bank N.V.**  
**Bank für Gemeinwirtschaft Aktiengesellschaft**  
**Centrale Rabobank**  
**The Nippon Credit Bank, Ltd.**  
**The Royal Bank of Canada**  
**The Tokai Bank, Limited**  
**Westdeutsche Landesbank Girozentrale**

and

**Banca Nazionale del Lavoro**  
**The Fuji Bank Limited**  
**Midland and International Banks Limited**

**Banque Continentale du Luxembourg S.A.**  
**Girozentrale und Bank der österreichischen Sparkassen Aktiengesellschaft**

Co-Managed by

**The Kyowa Bank, Ltd.**  
**The Hokkaido Takushoku Bank, Limited**  
**The Mitsubishi Bank, Limited**  
**Provincial Bank of Canada (International) Limited, Nassau**  
**Société Générale de Banque S.A.**

**Banque de la Société Financière Européenne**  
**—SFE Group—**  
**Investitions-und Handels-Bank Aktiengesellschaft**  
**Moscow Narodny Bank Ltd.**  
**The Sanwa Bank, Limited**  
**UBAF Arab American Bank**

Provided by

**Amsterdam-Rotterdam Bank N.V.**  
**Centrale Rabobank**  
**RoyCan Finanz AG**  
**WestLB International S.A.**  
**The Fuji Bank Limited**  
**Lavoro Bank Overseas N.V.**  
**Morgan Grenfell & Co. Limited**  
**The Hokkaido Takushoku Bank, Limited**  
**The Mitsubishi Bank, Limited**  
**Provincial Bank of Canada (International) Limited, Nassau**  
**Société Financière Européenne Finance Company N.V.**  
**—SFE Group—**

**BfG Luxemburg, S.A.**  
**The Nippon Credit Bank, Ltd.**  
**The Tokai Bank, Limited**  
**Banque Continentale du Luxembourg S.A.**  
**Girozentrale und Bank der österreichischen Sparkassen Aktiengesellschaft**  
**Midland and International Banks Limited**  
**The Kyowa Bank, Ltd.**  
**Investitions-und Handels-Bank Aktiengesellschaft**  
**London Branch**  
**Moscow Narodny Bank Ltd.**  
**The Sanwa Bank, Limited**  
**Société Générale de Banque S.A.**  
**Banque Franco Allemande S.A.**  
**Österreichische Volksbanken—Aktiengesellschaft**  
**The Daiwa Bank Limited**  
**UBAF Bank Limited**  
**Bank van der Hoop Offers N.V.**  
**Banque Federative du Crédit Mutuel**  
**The Long-Term Credit Bank of Japan, Limited**  
**Schoeller & Co.**

Agent Bank

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# LLOYDS AND SCOTTISH LIMITED

## £40,000,000

term loan

Provided by

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Agent Bank

LLOYDS BANK INTERNATIONAL LIMITED



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MARCH 1979

Companies  
and Markets

# INTL. COMPANIES and FINANCE

## Protest at Turkish chemicals decree

BY METIN MUNIR IN ANKARA

A RECENT Turkish government decree ordering foreign pharmaceutical firms to start manufacturing 25 per cent of their raw materials locally has led to widespread discontent among the foreign companies.

The new decree requires foreign companies to produce pharmaceutical raw materials equivalent to 25 per cent of their total production. The proposed projects must be submitted to the Ministry of Trade within six months. The period granted for reaching the required level of domestic manufacture is three years.

Further, foreign pharmaceutical firms have been required to make compulsory

exports. One year after the publication of the decree last weekend the companies will have to export 15 per cent of their products and raw materials.

There is virtually no exportation of medicines from Turkey and insignificant amounts of pharmaceutical raw materials are locally manufactured.

The new decree was apparently motivated by a desire to save short foreign currency revenues. Fighting a severe economic crisis which has entered its third year, Prime Minister Bülent Ecevit's government is in the process of launching new stabilisation measures. One of the principle aims is to

increase foreign exchange revenues.

Foreign pharmaceutical companies feel discriminated against because the raw material and export condition applies only to them and not to their Turkish counterparts. They also see the move as "anti foreign investment." As one company director put it: "On the one hand the government is trying to attract foreign capital and on the other making things difficult for already established companies. Without consulting us the Government has changed the conditions under which we came to work in Turkey."

The pharmaceutical industry in Turkey is geared to a tech-

nology based on making medicines with imported inputs. Because of this, say foreign companies, to manufacture raw materials would require new investments and new technology. Further, they argue, the economy of scales would make such investments uneconomical. "Turkey cannot support such large plants," claimed one foreign director. "You would have to spend \$1m for \$10,000 of chemical raw materials. Eventually the price would be paid by the Turkish consumer."

Because different companies use different ingredients it was not feasible for the pharmaceutical companies to come together to finance a joint plant, he maintained.

## Dutch store group looks abroad

BY CHARLES BATCHELOR IN AMSTERDAM

THE MAJOR Dutch retail group De Bijenkorf (KBB) is looking closely at potential foreign markets, particularly in the U.S. and West Germany. It still sees good prospects in Holland, however, and is adapting its stores and range to meet changing consumer tastes.

KBB would hope to take a majority stake in a foreign company, probably operating in the same area as the Dutch concern's HEMA chain, which offers a limited assortment of homely goods on or of its Maxis superstores. Mr. J. Bous, the chairman said.

It would be prepared to start with a minority holding, but does not in the long term see any future in owning less than 50 per cent, although it is seeking local partners and management, he added.

In Holland, KBB is continuing to develop its superstores and is finding local authorities increasingly willing to grant permission for these projects. It is cutting out foods, radio and television and photographic equip-

ment from its city centre department stores and extending the range of clothing, furnishings and gift articles.

KBB should be able to increase profitability further in the future, but the sluggish economy and the slow growth of retail spending will make this increasingly dependent on expansion and rationalisation.

It was fairly satisfied with its 1978 result, although consumers proved very price-conscious and the 9 per cent rise in sales—the lowest rate for at least six years—was only achieved with difficulty. It earlier announced a 22.5 per cent increase in net profit to Fl 34.5m (\$12.2m) on sales of Fl 2.24bn (\$1.12bn).

It expects to invest Fl 50-60m in fixed assets this year after Fl 102m in 1978, although this figure could be higher if planning applications are approved.

Spending by volume in the retail sector as a whole in Holland rose by only 2.5 per cent in 1978 after the 3.3 per cent increase of the year

before. KBB marginally increased its share of the market to 2.7 per cent from 2.6 per cent, while its 9 per cent increase in sales exceeded the 6.5 per cent rise of all retail traders.

Net profit rose by 10 per cent at Gist-Brocades, the biochemical and pharmaceuticals group, in 1978, despite its earlier warning of a possible decline. The company proposes, therefore, to raise its dividend to Fl 2.20 per Fl 10 nominal share from Fl 2. Gist gave no indication of the reasons for the improvement.

The net profit figure was Fl 21.6m (\$10.3m) compared with Fl 19.5m the year before. At the half-way stage, the company reported an 8 per cent fall in profit to Fl 9.7m on sales 10 per cent higher at Fl 522m. In 1977 net profit fell by 7 per cent.

Its earlier problems were caused by the frugeness of the guilders, delays in completing the acquisition of two foreign companies and high interest.

## Bayer U.S. sales rise sharply

SALES of Bayer's U.S. affiliates reached \$2.1bn in 1978, reports the West German chemicals group.

Mobay Chemical has increased sales by an average 20 per cent a year for five years and these reached \$780m in 1978, up 21.5 per cent from \$642m in 1977. Sales at Miles laboratories rose 12 per cent to \$537m from \$479m.

The Cutter affiliate had sales of \$256m, up from \$204m in 1977. The West German company based its figures on foreign exchange rates at the end of 1978. AP-DJ

## VW ordered to relax spare parts system

BY LESLIE COLT IN BERLIN

THE FEDERAL Cartel Office has ordered Volkswagen to stop forcing its appointed West German dealers and service shops (VAG firms) to buy spare parts from VW which it does not produce but which come from its component suppliers.

Volkswagen says it is appealing against the decision which must then be ruled on by the German appeal court.

On previous occasions, the Cartel Office in West Berlin attempted to prove that VW's price increases violated its "oligopolistic" market position, but was unsuccessful.

The Cartel Office is also currently investigating BMW, which it says is the only other major German car company to bind its dealers and service companies to accept non-company made parts from BMW.

A Cartel Office spokesman said the outcome of the VW case would influence whether it would take steps against BMW and when. In its statement, the Cartel Office said it was not taking issue with the obligation by VAG firms to use non-company made parts supplied by VW in guarantee work which is paid for by Volkswagen.

However, the Cartel Office in West Berlin said VW's system, which binds VAG firms to use

non-VW spares, violates the "ban on discrimination" for companies with an especially strong market position.

The Cartel Office alleges that "VAG firms are unduly hindered from ordering these parts in the most favourable and cheapest way." In addition, it notes the spare parts manufacturers and dealers are "unduly restrained from free access to the market" because of VW's large share of the domestic car market and the fact that more than half of all repair works is carried out by appointed dealers and service shops.

Expecting an argument by VW, the Cartel Office said quality and safety standards would not be influenced by ending the obligation by the VAG firms to purchase non-VW produced parts. It said strict German tests and controls, as well as VW's own prescribed controls, assured consistently high quality of all parts. It adds that "Opel, Ford and Daimler-Benz do not bind the purchase of their spare parts."

According to published estimates in Germany, the non-VW-made spares sold by VW are worth several hundred million Deutsche marks and are claimed to be up to 30 per cent more expensive than if bought elsewhere.

## Zurich Bourse turnover up

By John Wicks in Zurich

THIS YEAR has begun with higher turnover on the Zurich Stock Exchange, due primarily to the removal in January of the ban on non-residents' purchases of Swiss franc securities. In the two first months of 1979, Zurich turnover amounted to SwFr 20,440m (\$1,220m), compared with SwFr 19,910m for the January-February period of last year.

On the Basle bourse, however, turnover remained unchanged at SwFr 4bn for the two-month period.

## Motor-Columbus sells tourist interests

The Swiss holding company Motor-Columbus AG, of Baden, has sold a 17.5 per cent stake in the capital of the travel agency Reisebüro Kuoni AG, of Zurich, to Swissair writes John Wicks from Zurich. The airline has also acquired the Motor-Columbus participation in Cresta Ferien AG, which operates a holiday centre in the Grisons, and the other tourism companies Alpengasthof Postel SA and San Bernardino SA. The divestments have been made by the Baden company in keeping with a recently-announced policy to concentrate its activities on the electricity sector and civil engineering.

## Dutch capital market

THE DUTCH cabinet expects Dutch capital market demand this year to again exceed supply. Central government financing deficit is now put at Fls 14.2bn this year, compared with a forecast of around Fls 12.8bn last September. The central government financing deficit for 1978 was Fls 9.3bn, according to revised figures. Reuter

## Salzgitter steel activities move back into the black

BY GUY HAWTIN IN FRANKFURT

THE STEELMAKING arm of Salzgitter, the West German government-owned steel, shipbuilding and energy concern, is back in the black after a long period of losses.

According to the group, the 1978-79 business year, due to end on September 30, should at least end with the profit and loss account at break-even point. Herr E. Pieper, Salzgitter's deputy chairman, said it was possible that the steel operations would show a modest profit.

Salzgitter's performance in steelmaking appears to be echoed throughout the sector. Economic forecasters have been predicting a recovery in profits during 1979, albeit from a very low level. For Salzgitter, the continued strong performance of the motor industry has contri-

buted in part to the improvement in its steel earnings. However, competition from cheap imports—which was particularly hard in 1977 and much of 1978—appears to have weakened.

The reason for this has been the rise in scrap prices, said Salzgitter. However, it points out that prices remain depressed, particularly in the heavy plate sector, where the shipbuilding recession has heavily dampened demand.

It is still too early to say whether all of West Germany's steelmakers will benefit from the upturn to a similar degree. However, it is predicted that there should be a considerable reduction in the industry's losses which were running at about DM 400m a year.

## Earnings advance at BW Bank

By Adrian Dicks in Bonn

BADEN-Wuerttembergische bank, formed in December, 1977, from three smaller institutions in South-West Germany, is proposing a capital increase and has announced a rise in net profit after its first full year's operations.

Herr Manfred Precht, spokesman for the BW Bank Board, described the 1978 business year as a "flying start," although not all of the aims set when the merger was carried out had yet been achieved.

The bank's net profit amounted to DM 16.8m (\$8m) compared to DM 14.8m for the previous year's combined results for Badische Bank, Handelsbank Heilbronn and Württembergische Bank. An unchanged DM18 per DM50 share dividend is being paid to shareholders, which includes the Baden-Wuerttemberg state government, with 54 per cent, and a 25.1 per cent blocking minority held by a consortium that includes the Wuestenrot Mortgage Bank, Robert Bosch, Deutsche Bank and Karlsruhe Life Insurance. The remaining 20.9 per cent is held by small shareholders.

Herr Precht said that the steady growth in BW Bank's business, illustrated by a 13.4 per cent increase in the volume of credit to DM3.5bn, made the capital increase necessary, and made it likely that further increases would follow.

Shareholders will be offered new shares in a one-for-six ratio at DM135 per DM50 share—a price that gives them a DM65 per share discount on the quoted value. The new issue will raise the bank's capital from DM60m to DM70m.

BW Bank hopes to expand its network of 38 branches in Baden-Wuerttemberg next year. Herr Precht also stressed its interest in expanding foreign business of all kinds on behalf of the state's numerous engineering companies.

During 1978, the bank took up 35 per cent of Star-Auto mobile Beteiligungs GmbH, one of two holding companies set up in 1978 to acquire a large portion of the 25.2 per cent of Daimler-Benz sold off by Deutsche Bank. BW Bank also took over Bankhaus Bensel, a small Mannheim private bank last year.

## Scandinavian Bank increase

By Our Euromarkets Staff

A DOUBLING of fee income allowed Scandinavian Bank to report a 14 per cent increase in pre-tax profit last year to \$5.3m, while the consortium bank's balance sheet total rose by 20 per cent to just over \$1.6bn.

Since 1976 the bank's balance sheet has doubled, while pre-tax profits have risen by 27 per cent. Ample liquidity in the international markets, with the resulting pressure on interest income, has made it hard for consortium banks, generally to match growth in income to recent growth in assets.

The bank's profits from interest differentials changed little last year, though the loan portfolio rose by 10 per cent to \$537m. The annual report shows that the "borrowers' market" led the bank to lengthen the average maturity of its loan portfolio, with 35 per cent repayable under one year against 44 per cent at the end of 1977. This was offset by a 36 per cent increase in liquid assets to \$212m.

The bank's management says that 1978 was a good year for foreign exchange earnings, but that a small loss was made in international securities trading.

## Norwegian engineer sees further advance

BY FAY GJETER IN OSLO

NORWEGIAN metals, mining, manufacturing and engineering concern Elkem - Spigerverket (E-S) reports increased turnover and profits in 1978, and foresees a further improvement in results this year, chiefly because of the improved market for ferro-alloys and aluminium. An 8 per cent dividend is recommended, against 7 per cent for 1977.

Group profits in 1978 were Nkr 33m, after ordinary depreciation of Nkr 139m, but before

taxes and allocations. This compares with Nkr 24m in 1977, after depreciation of Nkr 149m. Group turnover rose to Nkr 3.1bn from 2.7bn.

Exports accounted for nearly two-thirds of total sales. Ordinary investments in 1978 amounted to Nkr 117m, compared with Nkr 179m in 1977. In addition, E-S invested Nkr 8m last year in anti-pollution measures and Nkr 19m in oil activities.

The group is one of the

largest single shareholders in Saga Petroleum, the Norwegian oil company owned by industrial, banking and shipping groups.

Dyno Industrier, manufacturer of chemicals and explosives, saw profits drop in 1978, despite a 15 per cent increase in operating income to Nkr 1.3bn, but expects "somewhat better" results this year. About half the rise in operating income reflected the acquisition last year of new companies.

Recommended dividend is Nkr 10 per share, on old shares, and Nkr 5 on new. This compares with Nkr 13 per share, paid for 1977. Net profit, after taxes but before extraordinary items, was Nkr 15m, compared with Nkr 29m in 1977.

A preliminary report says that price restrictions in Norway last year made it impossible to offset higher operating costs by raising prices on the home market, where Dyno sells over 75 per cent of its output.

هنا من الأهل



## Kelvinator Australia bid battle intensifies

James Forth in Sydney

HECTIC bidding contest for Kelvinator Australia continued unabated yesterday on the Australian stock exchange with a 1.4m share, or nearly 10 per cent of the capital, changing hands.

The price soared another 20 cents to \$3.82, which compares with the partial bid price of \$2.30 a share announced by the bidder at the weekend and the 10 per cent cash offer from the bidder which was worth about 60 a share.

Small continued to meet opposition in the market as another bidder, and it is thought that the turnover was, in fact, shared equally. The bid to be on behalf of a group of Adelaide interests, including another Adelaide-based finance group, Simpson Pope. It is suggested that the bid is also some quasi-arrangement involvement in this bid.

An announcement is expected by the Kelvinator board stating to the situation which developed. Kelvinator so far resisted the bid approach but has announced a bid of a higher price for 1978-79 plans for a scrip issue and in dividend. The mystery is also expected to make statement, probably disclosing identity of the participants, perhaps an outline of their intentions.

Anderson Asia advance

Hugh Peyman in Hong Kong

ANDERSON WHAMPOA'S subsidiary, Anderson Asia (Holdings), raised its consolidated profit for 1978 by 84 per cent to HK\$ 4.15m (US\$ 500,000).

The company announced that consolidated profit after tax, before extraordinary items, rose to HK\$ 42.62m, or HK\$27.28m in 1977.

The quarry and property development company proposed a bonus of 10 cents per share, and a rise in its final dividend to 17 cents from 15 cents for a 1978 total of 32 cents.

## Earnings maintained at Ford Australia in 1978

BY OUR SYDNEY CORRESPONDENT

FORD AUSTRALIA earned a steady \$44m (US\$4.5m) profit in the year to December 31, which makes it only the second motor vehicle manufacturer to report a profit for the year. The other was Leyland Australia, which earned \$5.6m.

The largest vehicle maker, General Motors-Holden's, incurred a loss of \$13.2m from sales of \$989.5m. Nissan lost \$320.1m in the year to June 30, 1978, while Chrysler, which incurred a deficit of \$514m for the first half, is due to report soon for the full year. The company has been performing better but is still likely to register a loss for the full period.

Sir Brian Inglis, the Ford chairman and managing director, said he still regarded the 1978 result as unsatisfactory but was expecting a major improvement this year following the release of the XD Falcon. Ford had encountered heavy expenditure on new models, stiff competition and suffered from strikes, locally and in the UK, during 1978. The company's share of the

market dipped fractionally from 22.5 per cent to 21.1 per cent. In September last year a dividend of \$1.8m was paid to the U.S. parent from 1977 profits. No dividend would be paid from the 1978 profits.

Sir Brian said the company's return on sales remained at 0.5 per cent, while the return on assets declined to 1 per cent. He regarded a return of 8 to 10 per cent on assets as a reasonable figure.

He added that Ford was looking to a major lift in sales and market share in 1979.

some extent this was being assisted by better than anticipated improvement in the New South Wales market. The outlook for the remainder of the year was now more favourable and it was probable that the first-half fall in Australian group profits would be more than recovered by the year-end.

The Italian divisions continued to suffer from a generally depressed investment climate and price competition, while improved trading results in Germany were more than offset by the worst winter in a century.

The interim dividend is held at 5 cents a share and will be paid on capital increased by a one-for-eight scrip issue.

## Pioneer Concrete improvement

BY OUR SYDNEY CORRESPONDENT

PIONEER Concrete Services, the international concrete products and quarrying group, lifted its profit by 19 per cent, from \$9.7m to \$11.5m (US\$ 12.92m) in the December half-year. The improvement was attributable to the group's overseas operations with local divisions showing a marginal decline compared with the comparable previous period. However, the downturn was less severe than expected.

The directors expect that the earlier profit forecast for 1978-79 of \$22.5m will be "comfortably attainable."

The Hong Kong, Israeli and Spanish subsidiaries turned in the best performances. Delivery capacity was improved in Hong Kong by increasing the number of trucks and concrete agitators. A slightly improved level of output and similar improvement in price levels contributed to the results of the Spanish subsidiaries.

Profitability of the UK subsidiary suffered from a severe winter which had continued into the current half-year, but the performance was viewed as satisfactory.

Trading conditions in Australia were hampered by intensive price competition in the Melbourne pre-mixed concrete market coupled with a number of industrial disputes. Overall, the volume of demand was being maintained but to

some extent this was being assisted by better than anticipated improvement in the New South Wales market. The outlook for the remainder of the year was now more favourable and it was probable that the first-half fall in Australian group profits would be more than recovered by the year-end.

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## Stronger performance for Carlsberg Malaysia

BY WONG SULONG IN KUALA LUMPUR

CARLSBERG MALAYSIA again performed well last year, with the company widening its market and reporting growth in profits, although there was some erosion of margins as the result of rising costs.

Pre-tax profits rose by 12.5 per cent to 6.85m ringgit (US\$3.1m) with sales rising by 28 per cent to 58.4m ringgit (US\$26.5m). After-tax profits showed a 22 per cent increase, from 3.4m to 4.2m ringgit.

The company said that the tax charge for the year stood to have been reduced by 2.2m ringgit by claims for accelerated depreciation allowance on plant and machinery acquired during the year.

However, this claim was disregarded in computing the tax because the proposal for accelerated depreciation allowance made in the 1978 Budget had not been enacted.

Carlsberg is declaring a final dividend of 15.5 per cent, bringing dividends for the year to 22.5 per cent on the enlarged capital of 18m ringgit, compared with 25 per cent on the share capital of 12m ringgit for 1977.

## Island and Peninsular

By Wong Sulong in Kuala Lumpur

ISLAND AND PENINSULAR, the large Malaysian mining, plantation and housing group, has announced that its profits for 10 months ending January, 1979, were almost the same level as its record profits for the full year ended in March, 1978.

The group changed its financial year to January since becoming a subsidiary of the Pernas Organisation, and pre-tax profits were 19.1m ringgit (US\$ 8.7m) compared with 18.2m ringgit for the full year ended last March.

Island and Peninsular is paying a final dividend of 10 per cent, making total dividends for the 10 months to 19 per cent, as against 17 per cent for the previous 12-month period.

## Confidence at Rennies

JOHANNESBURG — RENNIES Consolidated Holdings faces 1979 with confidence and expects the upward momentum of the South African economy to be maintained to the group's advantage, Mr. C. W. Fiddian Green, the chairman said in the annual report.

Pre-tax profit in 1978 was R13m (\$15.4m), against R10.1m previously on turnover R161.5m (\$191m), against R150m, and

BUILDING SOCIETY INTEREST RATES	
<b>GREENWICH</b> (01-558 8212)	<b>LONDON GOLDHAWK</b> (01-995 8321)
281 Greenwich High Road, Greenwich SE10 8NL	15/17 Chiswick High Road, London W4 2NG
Deposits: Rate 6.45%, Share Accounts 8.10%, Sub'n. Shares 9.25%. Interest paid quarterly on shares/term shares, Monthly Income Shares 8.10%.	Sub'n. Shares 9.75%*, Deposit Rate 7.75%.
	Share Accounts 8.50%*
	Term Shares 9.25%*, 2 yrs.: 9.00%, 1 yr. * Includes 0.25% Centenary Bonus throughout 1979

## Crédit Lyonnais

Negotiable Floating Rate U.S. Dollar  
Certificates of Deposit.  
Maturity date  
29 September 1980



In accordance with the provisions of the  
Certificates of Deposit notice is hereby  
given that for the six month interest period  
from 28 March 1979 to 28 September 1979  
the Certificates will carry an Interest Rate of  
11 1/2% per annum.

Agent Bank  
The Chase Manhattan Bank, N.A.,  
London



## El Al hit by charters and strikes

By L. Daniel in Tel Aviv

EL AL ISRAEL Airlines will finish the current fiscal year, ending this month, with a deficit of \$20m, as a result of the rise in the cost of aviation fuel, strikes and competition from foreign airlines, particularly charter companies.

The airline showed an operating profit of \$6.6m for 1977-78, compared with \$5.8m in the previous year. Net profit amounted to only \$10,000 for that year, a decline from the \$280,000 profit for 1976-77.

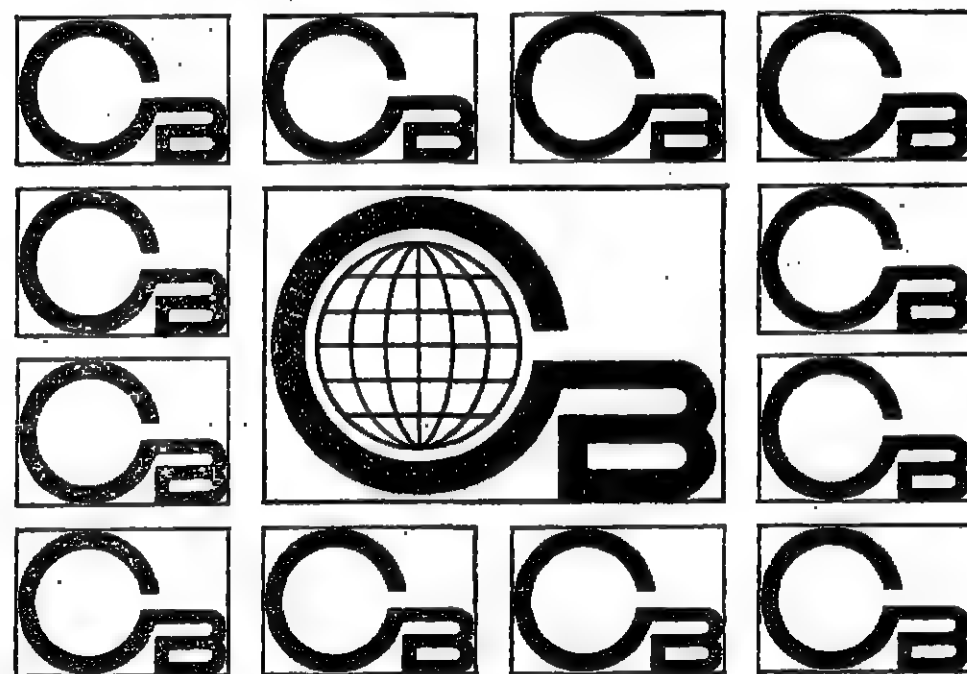
This was revealed by the director-general of the Ministry of Transport here in a subcommittee of the Knesset Finance Committee. He singled out the lower fares from the U.S., charters from Canada and the flights by other airlines as the main causes of the reduced profitability of the company.

## Bank Leumi in Pennsylvania

By Our Tel Aviv Correspondent

BANK LEUMI LE ISRAEL is the first bank to take advantage of the new Pennsylvania state law permitting foreign banks to operate in Pennsylvania. The bank has opened a branch in Philadelphia, bringing to 16 the total of its U.S. branches.

## Extract from the statement by the Chairman Sir Robert Fairbairn on the Report & Accounts of the Clydesdale Bank Limited for the year to 31st December 1978



### The Year's Results

"The Profit, before Taxation, amounts to £20,729,000 which is £6,717,000 or 48% higher than the figure for the previous year."

"A Profit-Sharing Scheme was introduced back-dated to 1st August 1977 and Productivity Scheme payments were made for the first time; the amount charged to Profit and Loss Account for these schemes amounted to £1,772,000."

"Deposits at 31st December last amounted to £895,000,000 — up £114 million from 31st December 1977, while Advances to customers totalled £671,000,000 — an increase of £99 million over the figure recorded twelve months earlier."

"The Board now recommend a Final Dividend of 12.5% making a total of 23.5% for the year which compares with 21.296% paid in the previous year."

**International Division**  
"We have long had the capability of meeting routine overseas business needs but we recognise the growing complexity of international finance and to cater for it we have set up an International Division to co-ordinate all aspects of our involvement in this field."

"Our substantial participation in North Sea oil and gas developments has shown us the value of making our name widely known abroad and I am pleased to say that our new Division is already proving its worth in furthering these aims."

**Systems**  
"The development of the computer network to provide the new 'AutoBank' Services continues. This network, called CLANS, short for Clydesdale AutoBank Network System, is providing an advanced method of processing customer transactions. Equipment is now installed at 29 Branches and customers with AutoBank Cards, if they so wish, no longer require to write cheques or complete pay-in-slips. In addition it enables tellers to have an instant balance of their tills and a record of their transactions. The AutoBank card also operates the new range of Cash Dispensers called 24 Hour AutoBanks which are being introduced throughout Scotland to provide a service for

the withdrawal of cash, requesting statements or new cheque books, 24 hours per day, 7 days per week."

**Climate for Business**  
"In Scotland we have had the steady stream of factory closures with the consequent loss of jobs. In many cases these have occurred in areas already suffering from above average unemployment and in industries which have been running down for many years."

"In agriculture and fishing, both of which occupy a position relatively more important in the Scottish economy than in the rest of the United Kingdom, the past year has been one of mixed fortunes influenced heavily by policies set by the Common Market."

"There remains the more encouraging experience of the oil and gas sector. Although it no longer continues to receive the publicity it did over the growth of its activities in earlier years, it is nevertheless still providing a growing number of jobs and the associated capital investment produces growth and employment in a large number of secondary industries."

**Outlook**  
"The economic prospects for 1979 are very uncertain and we are faced with a General Election which adds to that uncertainty."

"Yet, here and there, can be seen some encouraging signs of expansion."

"This has been especially noticeable amongst small businesses and it is a welcome occurrence."

"The banks have played a leading part in the past in supporting small businesses and will undoubtedly continue to do so but more could perhaps be done by way of tax relief to encourage investors to play their part. The restoration of incentives to individuals and businesses, large and small, would, I am sure, be a major stimulus towards economic recovery."

**Clydesdale Bank**  
The bank that's nearest to you and your needs.  
Head Office:  
30 St. Vincent Place Glasgow G1 2HL

## The West of England Trust Limited

### Summarised Interim Results for six months ended 31st December 1978

	Six months ended 31st December 1978	Year ended 30th June 1978	Year ended 30th June 1977
Profit after taxation	500	217	866
Dividends per share	1.0183p	0.65p	1.5317p
Earnings per share	3.08p	1.39p	5.47p

Extract from Interim Report by the Chairman, Mr. Ernest Harbottle:

"Profit after taxation amounted to £500,000 compared with £217,000 for the corresponding half of the preceding year, and £866,000 for the full year. I am glad to report that all three divisions of the Group contributed to this increase, and have continued to trade satisfactorily in the third quarter. However, although the rate of earnings in the second half is likely to exceed that of the first half it is not expected that the same level of increase which took place last year will occur again this year."

A 2nd Interim dividend of 0.65p per share is to be paid on 30th April, 1979, a 1st Interim of 0.3683p having been paid on 10th November 1978.

The Group's principal business of merchant banking is carried on in three operating divisions:

Tyndall Group — investment, assurance and banking  
Jordan Group — legal and financial services  
Canyng Investments Limited — specialist industrial and commercial holdings.

The West of England Trust Limited  
Head Office: 18 Canynge Road, Bristol BS99 7UA.

## THE KYOWA BANK LIMITED

London Branch

US \$10,000,000

NEGOTIABLE FLOATING RATE  
CERTIFICATES OF DEPOSIT  
MATURITY DATE MARCH 28 1982

In accordance with the provisions of the Certificates of Deposit notice is hereby given that for the initial six month interest period from March 28, 1979 to September 28, 1979 the Certificates will carry an Interest Rate of 11 1/2% per annum.

Agent Bank  
First Chicago Limited



## NEW YORK - DOW JONES

## Mar. Mar. Mar. Mar.

	36	35	28	21
Industry's	854.82	859.75	861.31	857.78
me B'nds	84.47	84.25	84.62	84.45
transport..	219.91	219.78	218.20	217.62
ilities....	104.47	104.70	104.53	104.23
ading vol				
000'at	23,440	35,620	34,380	31,120

Ind. div. yield % Mar. 23  
5.75

	Mar. 26	Mar. 23	Mar. 22	Mar. 31
Indust's ...	112.77	113.45	113.34	113.03

	Mar. 21
Div. yield %	5.03
P.E Ratio	5.88
Gov. Bond Yield	9.02
P.E. ALL COMMON	

Mar. 23	Mar. 22	Mar. 21
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[illegible]

OGEM (Fl.10)...	27.3 + 0.9	24 : 9.2	SW
Van Ommerep...	171.5 + 0.3	- -	
Bokkeveld (Fl.20)	44.1 + 1.3	- -	

[illegible]

ANIC  
Bart

	Price	+ or -	Div. Yld.	%
Fiat	2,908	-8.0	160	5.2
Do. Priv	2,315	+4.0	150	6.5
Fininvest	195.75	-0.5		
Isacomp	16,950	-30	500	3.5
Italcriste	425	-2		
Mediocredito	36,995	+495	1,200	3.5
Montedison	205.75	-1		
Pirelli	1,675	-1		
Pirelli & C.	1,675	-38	130	6.9
Pirelli SpA	928	-5.5	80	8.7

**NEW YORK**—DOW JONES

Day's high 860.01 low 851.52										
Ind. div. yield %	Mar. 23		Mar. 16		Mar. 9		Year ago (approx)			
	5.76		5.90		5.87		6.16			
STANDARD AND POORS										
dust's %	1978-79						Since Comp's			
	Mar. 26	Mar. 23	Mar. 22	Mar. 21	Mar. 20	Mar. 19	High	Low	High	Low
	112.77	115.45	118.34	119.05	112.14	112.73	118.71	112.91	118.02	118.02

## Mar. 21

div. yield %	5.03	5.11	5.17	5.66
P. E. Ratio	8.88	9.44	9.73	8.48
g Gov. Bond Yield	9.02	9.02	9.01	8.16
J.S.E. ALL COMMON				
1975-76				
Mar. 75	Mar. 76	Mar. 77	Mar. 78	Mar. 79
High	Low	High	Low	High
60.58	48.37	60.58	48.37	60.58
(11.8)	(8.8)	(11.8)	(8.8)	(11.8)

	26	23
Final results 1971	810 83	218 88

[illegible]

many (13) 778.5	774.2	865.5	768.4
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[illegible]

2/63. " Copenhagen SE 1/1/73.  
Paris Bouras 1981. 34 Commerzbank

[illegible]

National Industries	71.70	-0.04
Oil & Gas	21.10	-0.02
non Creek Gold	17.87	

[illegible]

Industries .....	+3.30	.....
Property Trust .....	+1.45	-0.05

[illegible]

tt & Colman	+2.70	+0.05
(H.C.I.)	+0.67	

[illegible]

Les ...	810	42	5.2
Gervais...	461	40.5	8.8
our...	1,750	79	4.3

379	-1	51.3	9.3	Huatai	2.75	0.00
380	-1	70.5	2.3	Neoware	1.00	+0.01
381	-1	70.5	2.3	McCarty Roadway	0.72	+0.02
382	-1	70.5	2.3	Modbank	3.38	+0.15
383	-1	70.5	2.3	W. J. Warr	0.50	+0.01
384	-1	70.5	2.3	Premier Mallory	5.90	0.00
385	-1	70.5	2.3	W. J. Warr	0.50	+0.01
386	-1	70.5	2.3	Protea Holdings	1.87	+0.01
387	-1	70.5	2.3	Rand Mines	2.60	0.00
388	-1	70.5	2.3	Memorandum Group	0.50	0.00
389	-1	70.5	2.3	Reico	0.40	0.00
390	-1	70.5	2.3	Savo Holdings	1.00	+0.01
391	-1	70.5	2.3	Savo Holdings	0.50	+0.01
392	-1	70.5	2.3	C. Smith Sugar	5.90	+0.01
393	-1	70.5	2.3	BA Breweries	1.00	+0.01
394	-1	70.5	2.3	URS	11.00	+0.01
395	-1	70.5	2.3	URS	11.00	+0.01

de du)	26.1	-0.9	2.25	8.7
218	+0.4	10.15	4.6	

766	-0.8	7.5	9.0
202	Ricard	2.0	2.0
100	Stroem	2.2	2.2
150.3	-12.5	1.0	1.0
100	Chinn	1.0	1.0
455	1	50	8.6
106	1	9	8.6
135	-0.5	14.0	14.0
Poignac	1.706	29	2.1
135	1	29	2.1
394.8	-0.8	27.7	27.7
208	1	27.7	27.7
208	1	27.7	27.7
11.90	1	27.7	27.7

SPAIN		Per cent.
March 27	132	
April	132	
Banco	288	+10
Banco Exterior	288	+4
Granada (1,000)	194	
Sanco Hispano	273	
Bco. I. Cot. (7,000)	167	
Bco. I. Mediterraneo	217	
Banco Madrid	212	

37	Price Cruz	Per of Cruz — Div.	Yld. %
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Commodities and Markets

COMMODITIES and AGRICULTURE

هفتا من العمل

Coffee stockpile urged

By Richard Money

INTERNATIONAL coffee stockpile will be proposed by Mexico at the International Coffee Organisation (ICO) meeting in London next week. Mr. Manuel Aguilera Gomez, rector-general of the Mexican coffee Institute (Inmecafe), is expected to propose a stockpile of \$1.80-\$2.00 a pound. "We believe this is the only way of solving the coffee price problem," he said.

The ICO meeting, which starts on Tuesday, has been held to consider price stabilisation measures following the collapse of world prices below the "floor" level agreed by the O Council last September.

Nearly 1000 coffee futures prices rose by more than \$250 a tonne since this "floor" level was breached six weeks ago.

The stockpile scheme has been proposed many times but without success. Major nations are against it and a coffee trade is not impossible.

As to the Mexican price proposal, it was thought unlikely that consumers would agree to a figure anywhere near this level.

Rubber pact hopes rise as U.S. changes stance

By BRIJ KHANDARIA IN GENEVA

PROSPECTS FOR an early agreement on an international rubber pact improved yesterday when the U.S. put forward revised proposals at the opening of the negotiating conference here.

Mr. Richard Ogden, the chief U.S. delegate, said the new proposals contained major concessions. But the assessment of some of the producing countries was more cautious.

For the producers, the most significant point in the altered U.S. views is Washington's apparent willingness to accept 150 Malaysian cents a kilo as the absolute "floor" below which the world price of rubber will not be allowed to fall. It would be controlled by a buffer stock system to be included in the arrangement.

Mr. Ogden did not reveal any figures in his statement, but said only that in pricing provisions the U.S. was "prepared to be flexible on the producers' need for a lower indicative price level."

His offer of flexibility is, however, being taken with a pinch of salt. It appears the U.S. has

not yet given up its earlier notion of a price band built around a reference price level, which would be patterned on the long-term price trend for natural rubber.

For the producers, such a reference price would perpetuate past patterns instead of putting their exports on a rising income trend.

There seems to be some confusion now about the nature of the price mechanism to be used. Mr. Ogden's statement is being taken as indicating agreement that the mechanism should include a lower and upper price band within which the actual world price would be kept. But it is unclear whether there will be another narrower band contained within the larger one.

The producers want a system where one wider band, stipulating absolute maxima and minima, would contain a second band indicating the price levels at which the buffer stock manager would begin operations.

The trade-off, apparently being sought by the U.S. for its concession concerning the

lowest price level, is a larger buffer stock size of 600,000 tonnes, rather than the 500,000 tonnes total suggested by producers.

The U.S. is also seeking some clear formulation of supply assurances by producers, and repeated its keenness to obtain "an appropriate consultative provision regarding Government policies that directly affect natural rubber prices and supplies."

For some producers such a provision would be a step towards allowing consumers to interfere with domestic fiscal and other policies.

The U.S. also wants the creation of a committee on production and marketing within the arrangement, with the purpose of "expanding future supplies and assuring a growing dynamic natural rubber sector."

Despite the scepticism of some producers, Mr. Ogden's statement has gone a long way towards relaxing some of the tensions that marked the start of the 15-day negotiations yesterday.

Oil rise unsettles copper

By Our Commodities Editor

COPPER PRICES fell back in nervous conditions on the London Metal Exchange yesterday.

The market was unsettled by news of the smaller than expected rise in oil prices, which dealers felt would relieve pressure on the U.S. dollar and reduce buying interest in commodities. This was reflected in the lower prices for gold and silver.

The vulnerable state of the copper market at the higher levels was underlined when after opening strongly prices quickly moved down and cash contracts eventually closed \$17 down at \$1,036 a tonne. However renewed buying support came in at the lower level.

Lead defied the general downward trend in metal prices following reports of renewed buying by the Soviet Union. But cash lead after rising to \$380 a tonne under pressure later and closed at \$373 a tonne, still \$9.5 up on the previous day.

The U.S. producer, Asarco, however, last night firmly denied rumours that it had already cut back shipments from its Glover lead smelter. A spokesman said deliveries were normal at present, but he confirmed the earlier warning that a cutback might be needed if the strike continues at the Ozark lead-zinc mine.

EEC AGRICULTURE TALKS

French prepare farm price rise package

By MARGARET VAN HATTEM IN BRUSSELS

FRANCE, as President of the EEC Council of Ministers, is expected later today to propose a 2 per cent average increase in common farm prices for the year 1979-80.

Proposals representing what the French consider an appropriate compromise among the nine Governments will be sent to the other EEC delegations here.

The French are believed to be seeking a rise of less than 2 per cent on products chronically in surplus such as milk and sugar, and a little more than 2 per cent on products such as pigmeat, beef, cereals, fruit and vegetables, in which the current surpluses might be considered seasonal rather than structural.

The French believe they have the firm backing of Germany and the Benelux countries, and

that the Danes, Irish and Italians are not adverse.

Private comments from these national delegations support the French claim, although most appear ready to accept price freeze if pushed to it. Britain is quietly insisting that all major decisions on the issue of prices is not expected to be put to the vote this week.

Farm Ministers spent much of yesterday discussing technical details having devoted most of the morning to restating their opposition to the Commission's proposals for a tax on milk production.

Today they return to their national capitals and are expected to reassemble for further talks here tomorrow afternoon, when it is hoped that they will approve the use of the new European currency unit (ECU) for farm pricing, together with

"green" devaluations for Italy, France, Ireland and the UK.

On Monday Mr. Finn Olaf Gundelach the EEC Agriculture Commissioner, warned the Ministers that he could not continue to administer the common agricultural policy if they did not reach a positive decision on the ECU later this week. However, this, together with the "green" devaluations, is expected to be approved.

Decisions on the two other major elements in this year's price review—the level of common prices and the tax on milk production—are not expected before the next meeting of the farm council, due to be held in Luxembourg on April 9 and 10.

In the meantime, the Commission may adjust its proposals in the light of general reaction to the French proposals.

Indian jute strike ends

NEW DELHI — Port workers Calcutta have abandoned unconditionally a 15-day strike that crippled jute exports to the S. the Soviet Union and Japan, a spokesman for the Calcutta Port Trust said.

The stoppage by 884 workers demanding higher pay cost India an estimated \$25m worth of exports of jute, sacking and rope backing.

Jute is one of the biggest foreign exchange earners for the country. In 1978, India exported \$15m worth of jute products, mostly carpet backing.

In December, 1978, only 3,700 tons of jute products were exported compared with 55,800 tons in December, 1977. There have been hardly any exports since the January-March period is over.

P-Dow Jones

Inco monitoring nickel orders

By JOHN EDWARDS, COMMODITIES EDITOR

INTERNATIONAL NICKEL of Canada confirmed yesterday that it was monitoring nickel orders and rejecting those which appear speculative or unusual.

The company said this was its normal policy during periods of heavy demand in order to protect its regular customers against supply shortfalls.

A spokesman denied that supplies were being allocated or rationed. But it did admit that some customers were being asked to consider taking alternative products in cases where products were in short supply.

New talks aimed at ending the six-month-old strike at Inco's Sudbury mines are being held this week with an Ontario Government mediator meeting Inco and company officials on separate days. But after "frank and useful" talks with the union yesterday, the mediator said he was not optimistic about a quick resumption of bargaining between the two sides.

The lengthy strike is evidently beginning to affect Inco's supply situation. The company said earlier this month it would be able to maintain regular deliveries throughout the second quarter of the year.

But the strike at its main producing unit in Sudbury has already reduced surplus stocks considerably and could be causing shortages of some products. Inco's nickel stocks at end December fell to 230m lb from a peak of 341m lb at end 1977 and the loss of production from Sudbury is estimated at around 20m lb a month.

Current stocks, therefore, must have been reduced to at least 170m lb and possibly lower because of the rise in demand. Inco restarted publicly quoting nickel prices in February, and there was a general rise in producer prices this month. The reduction in surplus supplies, and resurgence of demand, has also brought substantial increases in the free market prices of nickel.

London dealers said yesterday

that cathodes were trading at between \$2.42-\$2.47 a pound, compared with \$2.40-\$2.44, compared with the producers' delivered works price of \$2.30 for plating nickel and \$2.25 for melting nickel.

Dealers said that consumers were now turning to the free market for extra supplies to build up stocks that had been run down to a low level since most producers, like Inco, were limiting the amounts they were prepared to sell.

Adding to the upward pressure on prices are reports that the Soviet Union, normally the main supplier to the free market, is having difficulty in meeting its commitments having apparently oversold last year.

One dealer commented that he had never seen such a quick turnaround in a market from surplus to scarcity. But others warned that demand may have been inflated by consumers bringing stocks up to normal levels rather than any general fundamental rise in nickel consumption.

Common Fund outlook poor, says Schmidt

BONN — Helmut Schmidt, the West German Chancellor, does not believe the fund to stabilise commodity prices, agreed between industrial and developing states, will have a great future.

In an after-dinner speech here yesterday, he said he preferred a system of stabilising the losses in export revenues of raw material producers, but nevertheless supported the common fund, agreed in negotiations within the framework of the United Nations Conference on Trade and Development (UNCTAD) in Geneva last week.

"We sometimes have to accept developments without being totally convinced of their efficiency," Herr Schmidt said.

Reuter

Extension likely for UK pork import ban

By CHRISTOPHER PARKES

CONTINENTAL exporters' hopes of winning access to the British pork market this summer seemed certain to be frustrated for at least six months, according to sources in the Ministry of Agriculture.

The European Commission in Brussels is expected to extend until the end of the year a ruling which allows the UK to bar imports of pork from most of its Common Market partners.

The ruling was due to expire on July 1, and farmers have been worried about the impact on their incomes should the barrier be lifted.

The special derogation permitting the ban on free trade on grounds of animal health has protected the UK pig herd and, incidentally, the fragile market in pigmeat, since Britain joined the EEC.

Ministry sources said talks had started and the Commission appeared "sympathetic" to the British arguments that Continental supplies could expose British herds to the risk of

Israel citrus exports rise

By Our Tel Aviv Correspondent

ISRAEL'S citrus exports during the 1978-79 season will reach 50m cases, compared with 46.5m shipped abroad in 1977-1978.

The increase is mainly in "Shamouti" (Jaffa) of which 25.5m cases are being exported this year, or almost 3m cases more.

The quantity of soft fruit (mandarines, clementines, etc.) has also been expanded as part of a trend towards these varieties which, however, do not yet play a large part in the export total.

Shipments of late oranges of the Valencia type have now started. So far, 1.7m cases have been sent out of an anticipated total of 9.5m, according to the director of the Citrus Marketing Board.

Proceeds from this season's exports are expected to rise to \$250m against \$180m last season. This is due partly to the increase in quantity and partly to higher prices obtained.

However, growers claim their actual income has declined by 30 per cent as costs have risen by more than 60 per cent.

BRITISH COMMODITY MARKETS

**BASE METALS**

COPPER—Lost ground on the London metal exchange, as the market thought it was overbought and vulnerable to a rise in oil prices. However, the market was supported by reports of a shortage of high grade copper. The market was supported by reports of a shortage of high grade copper. The market was supported by reports of a shortage of high grade copper.

LEAD—Firmly held, but forward metal turned easier under the influence of copper. A lack of physical business and light selling in a thin market. However, the premium of high grade over standard was maintained. With the East European market, forward standard metal started at £7.20, but sold at a discount on the Kib at £7.20. Turnover: 870 tonnes.

ZINC—Firmly held, but forward metal turned easier under the influence of copper. A lack of physical business and light selling in a thin market. However, the premium of high grade over standard was maintained. With the East European market, forward standard metal started at £7.20, but sold at a discount on the Kib at £7.20. Turnover: 870 tonnes.

ALUMINIUM—Firmly held, but forward metal turned easier under the influence of copper. A lack of physical business and light selling in a thin market. However, the premium of high grade over standard was maintained. With the East European market, forward standard metal started at £7.20, but sold at a discount on the Kib at £7.20. Turnover: 870 tonnes.

GRAINS

Composite daily average 131.83

WHEAT—Firmly held, but forward metal turned easier under the influence of copper. A lack of physical business and light selling in a thin market. However, the premium of high grade over standard was maintained. With the East European market, forward standard metal started at £7.20, but sold at a discount on the Kib at £7.20. Turnover: 870 tonnes.

BARLEY—Firmly held, but forward metal turned easier under the influence of copper. A lack of physical business and light selling in a thin market. However, the premium of high grade over standard was maintained. With the East European market, forward standard metal started at £7.20, but sold at a discount on the Kib at £7.20. Turnover: 870 tonnes.

RYE—Firmly held, but forward metal turned easier under the influence of copper. A lack of physical business and light selling in a thin market. However, the premium of high grade over standard was maintained. With the East European market, forward standard metal started at £7.20, but sold at a discount on the Kib at £7.20. Turnover: 870 tonnes.

SOYABEAN MEAL

Yesterday's + or -

1st 125.30-125.35 -0.05

2nd 125.30-125.35 -0.05

3rd 125.30-125.35 -0.05

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AMERICAN MARKETS

NEW YORK, March 28

Cocoa—May 143.75 (143.50), July 144.75 (144.50), Sept. 145.75 (145.50), Nov. 146.75 (146.50), Jan. 147.75 (147.50), Mar. 148.75 (148.50), May 149.75 (149.50), July 150.75 (150.50), Sept. 151.75 (151.50), Nov. 152.75 (152.50), Jan. 153.75 (153.50), Mar. 154.75 (154.50), May 155.75 (155.50), July 156.75 (156.50), Sept. 157.75 (157.50), Nov. 158.75 (158.50), Jan. 159.75 (159.50), Mar. 160.75 (160.50), May 161.75 (161.50), July 162.75 (162.50), Sept. 163.75 (163.50), Nov. 164.75 (164.50), Jan. 165.75 (165.50), Mar. 166.75 (166.50), May 167.75 (167.50), July 168.75 (168.50), Sept. 169.75 (169.50), Nov. 170.75 (170.50), Jan. 171.75 (171.50), Mar. 172.75 (172.50), May 173.75 (173.50), July 174.75 (174.50), Sept. 175.75 (175.50), Nov. 176.75 (176.50), Jan. 177.75 (177.50), Mar. 178.75 (178.50), May 179.75 (179.50), July 180.75 (180.50), Sept. 181.75 (181.50), Nov. 182.75 (182.50), Jan. 183.75 (183.50), Mar. 184.75 (184.50), May 185.75 (185.50), July 186.75 (186.50), Sept. 187.75 (187.50), Nov. 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Companies and Markets

LONDON STOCK EXCHANGE

Increasing conviction of election shortly inspires widespread support for Gilt-edged and industrials

Account Dealing Dates

Option

\*First Declared Last Account

Dealings from Dealings Date

Mar. 22 Mar. 22 Mar. 22 Apr. 3

Mar. 26 Apr. 5 Apr. 6 Apr. 18

Apr. 9 Apr. 19 Apr. 20 May 1

\* New time deals may take

place from 9.30 am to business days

earlier.

Regardless of the outcome of

today's no-confidence vote, the

view was strong in stock market

yesterday that a general election

would be held within the next

two months. This motivated

widespread demand for both

equities and British Funds, the

latter also being stimulated by

the continuing strength of

sterling. Gains in the Funds

extended to 2 points and the

Government Securities index

advanced 1.12 to 74.15.

Although not on the previous

Friday's scale, a good institutional

demand for equities

coupled with some keen public

support often found the market

short of stock and many quotations

recorded double-figure

gains. The pace of the rise in

the leaders proved a little too

fast, however, and this was

reflected in the movement of the

FT 30-share index which touched

its best of the day at 3 p.m. with

a gain of 0.15 points before

reacting to close 0.35 up on

balance at 3.30 p.m. to 3,322.25

a new high for the year of 5392

and only 10 points off its all-time

peak of 549.2.

The overall strength of equities

was well illustrated by the FT

Actuaries All-Share index which

moved up 1.6 per cent to an all-

time high of 286.71 since com-

pletion in 1962. Official bargains

were 7,334 compared with 8,079

on Monday.

A fresh upsurge in Government

stocks was generated from

domestic and overseas sources of

the general view that the country

would prosper through a change

of Government. Foreign support

was drawn by sterling's continued

firmness and with the market

becoming increasingly short of

stock, gains of two points

appeared in some high-coupon

longs.

Last week's newcomer,

Exchange 121 per cent 1989 (440-

paid), rose that much to 435

to establish a premium of 23

on the tender price in only three

days' trading. The shorts estab-

lished rises extending to 1, de-

spite being a little over-

shadowed, but in all sectors the

trend late in the day was a shade

easier.

Further widespread selling of

investment currency

was countered at one stage and a

fair balance ensued, albeit at lower

rates. But in the late afternoon

fresh offerings went unresisted

and the premium slipped back to

close a net 41 points down at the

day's lowest of 612 per cent.

Yesterday's SE conversion factor

was 0.7334 (0.7585).

Banks better

Buyers returned for the major

clearing banks and closing gains

ranged to 10. Midland, 415p, and

NatWest, 355p, both edged up

much better, while Barclays

added 8 to 455p as did Lloyds in

335p. Discounts mirrored the

buoyancy of Gilt-edged securities

with Cater Ryder and Union

10 dearer at 335p and 365p

respectively. Merchant banks

continued to attract good support

and Hambros was a prominent

feature at 245p, up 10. Grindlays

put on 11 to 140p. A combination

of domestic and investment

currency influences prompted

dulness in foreign issues such

as Hong Kong and Shanghai,

197p, and Bank of New South

Wales, 236p, which fell 11 and 9

respectively.

Insurances contributed to the

general firmness. Sun Alliance

jumped 20 to 602p and Phoenix

10 to 222p. Buying in front of

their respective preliminary

statements today left Legal and

General 5 higher at 186p and Pruden-

tial 5 higher at 178p, after 182p.

Equity and Law Life touched

220p on the results but retreated

to close 219p and 218p.

Business in Breweries was

active with buyers predominating,

although the leaders tended to

end slightly below the day's best.

Base rose 5 to 203p, Guinness

added 4 to 184p and Whitbread

closed 31 higher at 210p. Despite

the virtual profits standstill,

Boddingtons firmed 3 to 106p

following the company's confidence

concerning current and

future trading.

A useful demand arose for

Building issues where gains were

widespread, but sometimes pared

in the late dealings. Blue Circle,

however, closed at the day's best

of 385p, up 12, as did BPB, which

added only 3 dearer at 191p.

After 195p, and London Brick

closed unaltered at 79p, after 79p.

Brown and Jackson firmed 25 for

a two-day gain of 80 to 450p and

M. P. Keel put on 5 to 61p. Still

reflecting the satisfactory annual

results, Federated Land rose 7

more to 80p, while the higher

priced and more issue directed

attention towards Glis and

Dandy A. up 4 at 44p. Ahead of

tomorrow's preliminary results,

Micrometals advanced 7 to 79p.

Johnsen, at 202p,

recovered the previous day's fall

of 3 which followed the annual

results. In Timbers, Magnet and

Southern added 11 to 186p and

Montague L. Meyer 4 to 106p.

ICI touched 404p before late

selling trimmed the rise to 2 at

402. A small interest prompted

sales of 8 to 821p in Fisons,

while the higher annual profits

and proposed one-for-three rights

issue lifted Brest 10 to 35p.

Among other Chemicals, Renkell

added 5 to 108p and recently dull

Yorkshire picked up 4 to 78p.

Burton wanted

Stores paraded widespread and

sometimes substantial gains

throughout the list. Burton

issues were particularly outstand-

ing as renewed speculative buy-

ing on revived enthusiasm and

and hopes lifted the Ordinary

25 to 315p, the 16 to 285p and

the Warrants 19 to 139p. Gussies

A rose 16 to 405p, while Gratian

Warehouses added 14 at 122p,

the latter in response to better-

than-expected annual results.

Fresh bid speculation lifted Elys

(Wimbledon) 10 to 150p, while

Bambars advanced 12 more

to 217p on persistent buying in

front of today's preliminary

results. Wilkinson Warburton

firmed 4 to 133p in response to

the record profits. Elsewhere,

Post Bros, 225p, and Ernest

Jones, 230p, added 10 piece.

The Electrical leaders were led

into higher ground by Thorn,

which closed 14 to the good at

416p. Consideration of the

group's dividend potential helped

in use. In fact, 8 in Thorn,

414p, after 418p, but Plessey

closed only a penny dearer at

110p. Philips Lamps dipped 13 to

765p, after 750p, on investment

currency influences. Brooks

Group hardened 3 to 97p follow-

ing the sharply higher annual

profits and London and

Leeds Engineers were quick

to respond to scattered buying

interest and John Brown

advanced to 505p before closing

on the top at 561p for a rise

of 10 on balance. A more useful

move lifted Hawker 10 higher at

280p, after 270p, and

Griffiths, 285p, and Talsma 414p.

Among numerous secondary

features, Aveyry, up 14 at 345p,

encountered speculative support

awaiting developments in the

possible bid situation with GEC.

Demand in a restricted market

lifted Bullough 10 to 260p, while

Ratcliffe (Great Bridge) con-

tinued to benefit from recent

Press mention and rose 4 more

to 89p. Revived buying left

Midland Industries 7 to the good

at 51p.

Foods displayed an abundance

of gains. Tesco stood out with

a rise of 23 to 682p, while F&P

Lovel's encountered demand

following Press comment high-

lighting bid possibilities and

firmed 4 to 70p. Awaiting tomor-

row's annual results, Bernard

Matthews put on 8 in a thin

market for a two-day gain of 29

to 261p. The recent interim

results stimulated further interest

in Morgan Edwards, which added

6 more to 105p, but the lower

half-year revenue left Bluebird

Confectionery 12 down at 83p.

In Hotels and Caterers, Lad-

broke put on 6 to 224p and Grand

Metropolitan improved 31 to

1501p. Elsewhere, Savoy A added

5 to 93p, after 94p.

Beecham below best

A resurgence of demand ahead

of tonight's no-confidence vote

stimulated industrial

leaders rebound sharply from

Monday's lower levels. A fairly

persistent inquiry pushed

quotations higher from the start

and although the best levels were

not always held, closing improve-

ments ranged to 10. Glaxo added

that much, 595p, after 585p,

as did Metal Box, at 342p and

Unilever, at 649p. Beecham

touched 733p before closing 7

up on balance at 725p. Else-

where, Granada A jumped 14 to

535p in response to the Chair-

man's bullish remarks about

current year prospects, while

Nett and Spencer rose 13 to 170p

on speculative buying in a thin

market. The increased interim

earnings brought an improve-

ment of 3 to 42p in Bessner A.

While Royal and Lloyds rose

3 to 176p, in front of today's an-

nuous results, L.C. Gas, 440p, and

E. Fogarty, 233p, rose 12 piece,

while Associated Communica-

tions, 144p, De La Rue, 422p,

ICI, 522p, Lonsdale Universal,

115p and Griffrerods, 129p, all

advanced around 7. Investment

currency influences prompted

falls of 12 and 40 respectively in

Jardine Matheson, 150p, and

Broken Hill Proprietary, 790p.

The Granada chairman's state-

ment on current trading stimu-

lated interest in Television issues

while Ulster A and Scottish A

put on 5 piece to 80p and 76p

respectively. In the Leisure

sector, Horizon Midlands added

16 more at 214p on further reflec-

tion on the annual results, while

renewed speculative interest



## OFFSHORE AND OVERSEAS FUNDS

[illegible]



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## BRITISH FUNDS

## "Shorts" (Lives up to Five Years)

1978-79	High	Low	Stock	Price	+/-	Yield	Int.	Ref.
97.1	97.1	97.1	Electricity 1984-85	97.1	0.00	10.00	10.00	10.00
97.2	97.2	97.2	Electricity 1985-86	97.2	0.00	10.00	10.00	10.00
97.3	97.3	97.3	Electricity 1986-87	97.3	0.00	10.00	10.00	10.00
97.4	97.4	97.4	Electricity 1987-88	97.4	0.00	10.00	10.00	10.00
97.5	97.5	97.5	Electricity 1988-89	97.5	0.00	10.00	10.00	10.00
97.6	97.6	97.6	Electricity 1989-90	97.6	0.00	10.00	10.00	10.00
97.7	97.7	97.7	Electricity 1990-91	97.7	0.00	10.00	10.00	10.00
97.8	97.8	97.8	Electricity 1991-92	97.8	0.00	10.00	10.00	10.00
97.9	97.9	97.9	Electricity 1992-93	97.9	0.00	10.00	10.00	10.00
98.0	98.0	98.0	Electricity 1993-94	98.0	0.00	10.00	10.00	10.00

## Five to Fifteen Years

1978-79	High	Low	Stock	Price	+/-	Yield	Int.	Ref.
107.1	107.1	107.1	Electricity 1984-85	107.1	0.00	10.00	10.00	10.00
107.2	107.2	107.2	Electricity 1985-86	107.2	0.00	10.00	10.00	10.00
107.3	107.3	107.3	Electricity 1986-87	107.3	0.00	10.00	10.00	10.00
107.4	107.4	107.4	Electricity 1987-88	107.4	0.00	10.00	10.00	10.00
107.5	107.5	107.5	Electricity 1988-89	107.5	0.00	10.00	10.00	10.00
107.6	107.6	107.6	Electricity 1989-90	107.6	0.00	10.00	10.00	10.00
107.7	107.7	107.7	Electricity 1990-91	107.7	0.00	10.00	10.00	10.00
107.8	107.8	107.8	Electricity 1991-92	107.8	0.00	10.00	10.00	10.00
107.9	107.9	107.9	Electricity 1992-93	107.9	0.00	10.00	10.00	10.00
108.0	108.0	108.0	Electricity 1993-94	108.0	0.00	10.00	10.00	10.00

## Over Fifteen Years

1978-79	High	Low	Stock	Price	+/-	Yield	Int.	Ref.
114.1	114.1	114.1	Electricity 1984-85	114.1	0.00	10.00	10.00	10.00
114.2	114.2	114.2	Electricity 1985-86	114.2	0.00	10.00	10.00	10.00
114.3	114.3	114.3	Electricity 1986-87	114.3	0.00	10.00	10.00	10.00
114.4	114.4	114.4	Electricity 1987-88	114.4	0.00	10.00	10.00	10.00
114.5	114.5	114.5	Electricity 1988-89	114.5	0.00	10.00	10.00	10.00
114.6	114.6	114.6	Electricity 1989-90	114.6	0.00	10.00	10.00	10.00
114.7	114.7	114.7	Electricity 1990-91	114.7	0.00	10.00	10.00	10.00
114.8	114.8	114.8	Electricity 1991-92	114.8	0.00	10.00	10.00	10.00
114.9	114.9	114.9	Electricity 1992-93	114.9	0.00	10.00	10.00	10.00
115.0	115.0	115.0	Electricity 1993-94	115.0	0.00	10.00	10.00	10.00

## Undated

1978-79	High	Low	Stock	Price	+/-	Yield	Int.	Ref.
37.1	37.1	37.1	Electricity 1984-85	37.1	0.00	10.00	10.00	10.00
37.2	37.2	37.2	Electricity 1985-86	37.2	0.00	10.00	10.00	10.00
37.3	37.3	37.3	Electricity 1986-87	37.3	0.00	10.00	10.00	10.00
37.4	37.4	37.4	Electricity 1987-88	37.4	0.00	10.00	10.00	10.00
37.5	37.5	37.5	Electricity 1988-89	37.5	0.00	10.00	10.00	10.00
37.6	37.6	37.6	Electricity 1989-90	37.6	0.00	10.00	10.00	10.00
37.7	37.7	37.7	Electricity 1990-91	37.7	0.00	10.00	10.00	10.00
37.8	37.8	37.8	Electricity 1991-92	37.8	0.00	10.00	10.00	10.00
37.9	37.9	37.9	Electricity 1992-93	37.9	0.00	10.00	10.00	10.00
38.0	38.0	38.0	Electricity 1993-94	38.0	0.00	10.00	10.00	10.00

## INTERNATIONAL BANK

1978-79	High	Low	Stock	Price	+/-	Yield	Int.	Ref.
101.1	101.1	101.1	Electricity 1984-85	101.1	0.00	10.00	10.00	10.00
101.2	101.2	101.2	Electricity 1985-86	101.2	0.00	10.00	10.00	10.00
101.3	101.3	101.3	Electricity 1986-87	101.3	0.00	10.00	10.00	10.00
101.4	101.4	101.4	Electricity 1987-88	101.4	0.00	10.00	10.00	10.00
101.5	101.5	101.5	Electricity 1988-89	101.5	0.00	10.00	10.00	10.00
101.6	101.6	101.6	Electricity 1989-90	101.6	0.00	10.00	10.00	10.00
101.7	101.7	101.7	Electricity 1990-91	101.7	0.00	10.00	10.00	10.00
101.8	101.8	101.8	Electricity 1991-92	101.8	0.00	10.00	10.00	10.00
101.9	101.9	101.9	Electricity 1992-93	101.9	0.00	10.00	10.00	10.00
102.0	102.0	102.0	Electricity 1993-94	102.0	0.00	10.00	10.00	10.00

## CORPORATION LOANS

1978-79	High	Low	Stock	Price	+/-	Yield	Int.	Ref.
99.1	99.1	99.1	Electricity 1984-85	99.1	0.00	10.00	10.00	10.00
99.2	99.2	99.2	Electricity 1985-86	99.2	0.00	10.00	10.00	10.00
99.3	99.3	99.3	Electricity 1986-87	99.3	0.00	10.00	10.00	10.00
99.4	99.4	99.4	Electricity 1987-88	99.4	0.00	10.00	10.00	10.00
99.5	99.5	99.5	Electricity 1988-89	99.5	0.00	10.00	10.00	10.00
99.6	99.6	99.6	Electricity 1989-90	99.6	0.00	10.00	10.00	10.00
99.7	99.7	99.7	Electricity 1990-91	99.7	0.00	10.00	10.00	10.00
99.8	99.8	99.8	Electricity 1991-92	99.8	0.00	10.00	10.00	10.00
99.9	99.9	99.9	Electricity 1992-93	99.9	0.00	10.00	10.00	10.00
100.0	100.0	100.0	Electricity 1993-94	100.0	0.00	10.00	10.00	10.00

## COMMONWEALTH &amp; AFRICAN LOANS

1978-79	High	Low	Stock	Price	+/-	Yield	Int.	Ref.
64.1	64.1	64.1	Electricity 1984-85	64.1	0.00	10.00	10.00	10.00
64.2	64.2	64.2	Electricity 1985-86	64.2	0.00	10.00	10.00	10.00
64.3	64.3	64.3	Electricity 1986-87	64.3	0.00	10.00	10.00	10.00
64.4	64.4	64.4	Electricity 1987-88	64.4	0.00	10.00	10.00	10.00
64.5	64.5	64.5	Electricity 1988-89	64.5	0.00	10.00	10.00	10.00
64.6	64.6	64.6	Electricity 1989-90	64.6	0.00	10.00	10.00	10.00
64.7	64.7	64.7	Electricity 1990-91	64.7	0.00	10.00	10.00	10.00
64.8	64.8	64.8	Electricity 1991-92	64.8	0.00	10.00	10.00	10.00
64.9	64.9	64.9	Electricity 1992-93	64.9	0.00	10.00	10.00	10.00
65.0	65.0	65.0	Electricity 1993-94	65.0	0.00	10.00	10.00	10.00

## LOANS

1978-79	High	Low	Stock	Price	+/-	Yield	Int.	Ref.
107.1	107.1	107.1	Electricity 1984-85	107.1	0.00	10.00	10.00	10.00
107.2	107.2	107.2	Electricity 1985-86	107.2	0.00	10.00	10.00	10.00
107.3	107.3	107.3	Electricity 1986-87	107.3	0.00	10.00	10.00	10.00
107.4	107.4	107.4	Electricity 1987-88	107.4	0.00	10.00	10.00	10.00
107.5	107.5	107.5	Electricity 1988-89	107.5	0.00	10.00	10.00	10.00
107.6	107.6	107.6	Electricity 1989-90	107.6	0.00	10.00	10.00	10.00
107.7	107.7	107.7	Electricity 1990-91	107.7	0.00	10.00	10.00	10.00
107.8	107.8	107.8	Electricity 1991-92	107.8	0.00	10.00	10.00	10.00
107.9	107.9	107.9	Electricity 1992-93	107.9	0.00	10.00	10.00	10.00
108.0	108.0	108.0	Electricity 1993-94	108.0	0.00	10.00	10.00	10.00

## FOREIGN BONDS &amp; RAILS

1978-79	High	Low	Stock	Price	+/-	Yield	Int.	Ref.
24.1	24.1	24.1	Electricity 1984-85	24.1	0.00	10.00	10.00	10.00
24.2	24.2	24.2	Electricity 1985-86	24.2	0.00	10.00	10.00	10.00
24.3	24.3	24.3	Electricity 1986-87	24.3	0.00	10.00	10.00	10.00
24.4	24.4	24.4	Electricity 1987-88	24.4	0.00	10.00	10.00	10.00
24.5	24.5	24.5	Electricity 1988-89	24.5	0.00	10.00	10.00	10.00
24.6	24.6	24.6	Electricity 1989-90	24.6	0.00	10.00	10.00	10.00
24.7	24.7	24.7	Electricity 1990-91	24.7	0.00	10.00	10.00	10.00
24.8	24.8	24.8	Electricity 1991-92	24.8	0.00	10.00	10.00	10.00
24.9	24.9	24.9	Electricity 1992-93	24.9	0.00	10.00	10.00	10.00
25.0	25.0	25.0	Electricity 1993-94	25.0	0.00	10.00	10.00	10.00

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# Carter gives go-ahead on shippers conferences

BY IAN HARGREAVES, SHIPPING CORRESPONDENT

SHIPPERS' CONFERENCES, now illegal in the U.S., are to be allowed experimentally by President Jimmy Carter to see whether they offer an effective counterweight to the liner shipping conference system.

Such conferences of the shippers of goods, as opposed to the shipping companies represented in the liner conferences, already operate in most parts of the world.

The Carter move will form part of U.S. action to ease European anxieties on American maritime policy in four important areas.

The Carter Administration's new policy, to be outlined next month, will "promote and improve" the prospects for world ocean shipping. Mr. William Johnston, chairman of the White House inter-agency study on maritime affairs, the so-called shipping task force set up last summer to overhaul U.S. policy.

Mr. Johnston, speaking to a shipping industry audience at a

SeaTrade conference in London, stopped short of describing the Carter proposals in detail. Apart from shippers' conferences, however, he indicated that the new U.S. policy would include:

- No ban on or abolition of conferences in the U.S.;
- The U.S. shipping bureaucracy, accused by outsiders of lengthy and cumbersome procedures, would be streamlined to ensure faster decisions on new conference agreements and a more co-ordinated approach;
- U.S. law would be revised to make clear the nature of shipowners' exemption from antitrust prosecution in their conference activities.

**Stressed**

Mr. Johnston stressed, however, that President Carter is not about to accept the European and Japanese view of the liner conference system for fixing rates and levels of service, lock, stock and barrel.

Members of the task force, which represents all the agencies involved in shipping

## Nurses accept new pay offer

By Pauline Clark, Labour Staff

THE PROSPECT of the Government facing an election amid an embarrassing confrontation over nurses' pay was lifted last night when union leaders accepted a new pay offer with extra money in advance of a comparability exercise.

Settlement on an 8.8 per cent increase in basic pay but with consolidation of a £130 supplement—bringing the total to around the 9 per cent accepted elsewhere in the public services—was reached after day-long talks at the Department of Health and Social Security.

The staff side of the Whitley Council, representing Britain's 400,000 nurses and midwives, however, made it clear that they had agreed on the deal only for fear of losing the chance of a comparability study on nurses' pay should another government take over before settlement was reached.

Mr. David Williams, assistant general secretary in the Confederation of Health Service Employees and ancillary staff side, said the unions were convinced that the deal was the best they were likely to get.

The settlement apparently turned on the offer to all qualified nurses working 35 hours or more a week of £2.50 a week on account as payment in advance of the comparability exercise.

This puts nurses somewhat ahead of local authority manual workers and hospital ancillary workers, who have accepted only £1 "on account." But against this, the nurses' unions have been forced to swallow what they described yesterday as "the bitterest pill"—abandonment of their demand for the first stage of a comparability payment to be made in April or earlier.

The Government stuck to the August 1979 and April 1980 dates as accepted elsewhere. The total package worth £7.20 more a week from April for a staff nurse on the minimum and £8.34 for a ward sister was accepted by all but the National Union of Public Employees.

The NUPE executive has also been outvoted on acceptance of the hospital ancillary workers' deal and faces a similar situation tomorrow.

## Bid too late to save Kirkby co-operative

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

FOUR YEARS of efforts to turn the Kirkby Manufacturing and Engineering workers' co-operative into a profitable venture ended yesterday at lunchtime when the business went into liquidation. A few hours later a £500,000 bid by a group of businessmen for the assets of the enterprise failed to satisfy the co-operative's creditors. As a result, the liquidator is to seek fresh bids.

In the meantime production of the co-operative's Toprad central heating radiators has stopped because of a shortage of steel supplies, and the 720 employees face being laid off tomorrow.

KME is the second of three co-operatives formed by Mr. Anthony Wedgwood Benn, as Industry Secretary, four years ago to close. The first was the Scottish Daily News. The third, a co-operative, the Meridex motorcycle factory in the Midlands, is still operating but has financial problems and needs government help to survive.

Whether the Kirkby business, which has been losing more than £15,000 a week, is reopened with worker co-operative concepts intact depends on the

views of any purchaser. Last night, Mr. Bernard Phillips, the liquidator, said he would be trying to dispose of the business in the "best possible way" and added: "I would welcome an offer which included some element of employee participation."

### Subsidiary

Yesterday's events followed the co-operative's transfer of its assets into a hitherto dormant subsidiary called KME Ltd. In the hope that they would be bought by a consortium, which is believed to have included an import and marketing company called Hill Foster, the Ferrol radiator manufacturer, of Italy, and a business consultant.

The parent company, with outstanding debts which are believed to total some £1.5m, then went into liquidation. But a later meeting yesterday of the co-operative's creditors and its bankers, National Westminster, found the terms of the consortium's £500,000 bid unacceptable.

This, however, was too late for the liquidation process of the parent company to be stopped. As a result the liquidator is to

seek fresh bids for KME Ltd. Last night Mr. Robert Maxwell, who has indicated that his Pergamon Press business might be interested, said: "We shall be looking into the possibilities of making an offer once we receive details from the liquidator."

The co-operative is on Merseyside's Kirkby industrial estate where many redundancies have been declared in recent months. The shutdown of the co-operative will lead to fresh criticisms of the Government for not doing all on the eve of tomorrow's vote to help Merseyside, especially by-election at Edge Hill.

Last night Mr. Jack Spriggs, a leader of the co-operative, blamed the Department of Industry for refusing to add to the £5.6m aid it has already given organisation and added: "We are finished as a co-operative because the Government has killed us off."

Mr. Alan Williams, Minister of State for Industry, stressed on BBC television that the Government would be contacting every potential purchaser of the factory and would be prepared to put up more industrial aid if a viable proposal emerged.

## British Steel faces veto over £60m Australia coal contract

BY ELINOR GOODMAN AND JOHN LLOYD

THE GOVERNMENT is likely to veto a British Steel Corporation contract to buy 2m tonnes of high quality coking coal from Australia, worth about £60m.

Any financial losses incurred as a result of the coal already contracted for will have to be met by the corporation, as Ministers are apparently determined that the cash limit on BSC's borrowing from the Government should not be raised to offset additional losses.

The coal is earmarked for use in the Redcar steelworks on Teesside, where a £230m blast furnace is due to come on stream later this year.

The National Coal Board said yesterday that it had invested £37m in productive capacity to

meet Redcar's demands, with the encouragement of BSC. The bulk of that, £30m, was invested in the three South Durham collieries of Eborac, Blackhall and Eastington, with the balance going to the small Kent colliery.

The Australian coal is about £10 a tonne cheaper than National Coal Board coal, but BSC said that "quality was the main criterion. The Coal Board insists that it has offered the corporation a blend of coals of tested and proven quality."

It is thought that BSC would

like to use some Polish coking coal in its blend as well as Australian coal, and that the NCB-wanted coke for Redcar could be as little as 40 per cent of the total.

A long-term contract was signed with Poland for coking coal last year, though no details have been revealed. The Australian contract was signed last month, with shipments due to start early next year. Total coking coal imports run at 1m tonnes a year, compared with 11m tonnes supplied by the NCB.

## Sime Darby bid fails

BY JAMES BARTHOLOMEW

SIME DARBY (Holdings) the Far Eastern conglomerate, yesterday failed narrowly in its attempt to take over Guthrie Corporation, the British plantations group. It was the biggest contested takeover bid in Britain so far this year, valuing Guthrie at £154m.

In a cliff-hanging finish, Sime had to buy 5.2 per cent of Guthrie's shares in one transaction on the last day to reach the necessary 50 per cent level. But it was able to find holders of only about 44 per cent of the shares willing to sell, bringing the total owned or conditionally committed to Sime to just under 49 per cent.

A last-minute surprise was the appearance in the market yesterday morning of an unidentified buyer prepared to bid up the shares of Guthrie to 545p, a rise of 10p on the previous day and 6p above Sime's offer price. Baring Brothers, financial advisers to Guthrie, brought this to the attention of the City Takeover Panel, fearing that these shares might be sold on to Sime.

Sime was unable under the Takeover Code to buy shares above the offer price. The panel investigated. In the afternoon the shares came

down again and eventually closed 5p lower on the day at 530p.

In spite of the failure of the bid, Sime Darby is left with a 29.9 per cent stake in Guthrie, a position from which it might be tempted to demand boardroom representation. But Mr. James Scott, chief executive of Sime, said yesterday that no request would be made although an invitation would be considered.

There would be no attempt to dislodge the present board, he said, it would now have to set about achieving the "optimistic" profit forecasts that were made during the bid battle. Meanwhile, Sime had plenty of different options. "We can do all kinds of things," he said. Shareholders in Guthrie are fairly evenly divided, as the close result showed. Some of those who accepted the bid may be friendly to Sime.

On the other side, M & G Investment Management, which energetically supported Guthrie by buying shares in the market, has 13 per cent; family trusts connected with Guthrie have about 16 or 17 per cent; and Baring Brothers has 14 per cent, having added 50,000 shares to its stake yesterday morning.

## Pit deal gives power men a lead

By Christian Tyler, Labour Editor

THE MINERS' decision to accept a deal that could be worth well over 10 per cent on average was greeted by the electricity supply workers yesterday as the signal for similar treatment.

The results of last week's ballot of the 254,000 members of the National Union of Mineworkers was a yes vote of 67.4 per cent in a 76.7 per cent turnout. This was close to the predictions of the union's leaders.

Negotiations for 85,000 power workers resume in a week's time. Yesterday Mr. Fred Franks, a negotiator for the Electrical and Plumbing Trades Union, said: "We will be looking for a very similar increase in global terms." He added: "We don't care how it's done, so long as at the end of the day it is as good as the miners."

So far the Electricity Council has offered an average 9 per cent increase, ranging from 5 per cent for labourers to 13 per cent for foremen and others in the top grade.

The power unions will now be looking for further productivity-related money as well as consolidation into basic rates of some bonuses.

The NUM's moderate majority had little difficulty

## Civil Servants to ban all work on next week's Budget in protest over a 7 per cent pay offer. Page 11. How the miners voted Page 11.

in selling this year's pay deal, which is backdated to March 1, by raising the earnings potential of existing area incentive schemes and concluding a separate efficiency agreement with the National Coal Board.

Basic rates, including one supplement of £6 a week from stage one of the incomes policy, will be raised by £8.59 a week, giving a £61.35 minimum on the surface, £70.80 at the coalface.

The bonus target rates have been raised by £3 to £26.50 a week for the faceworker, and bonus earnings from extra output could provide between £3 and £4.50 extra a week for all miners, according to the union.

From next January £20m is to be distributed as payment for bathing and changing time.

In last week's ballot only the Scottish area, whose leaders were alone in actively campaigning against the offer, and the Scottish engineers voted against the deal. The staff section, COSA, was predictably the most anxious to accept, with a yes vote of over 92 per cent. The small Left-wing Keni area accepted by only 24 votes, while Yorkshire approved by 58.5 per cent and South Wales, the other big Left-wing area, by 71.4 per cent.

## Continued from Page 1 North Sea

The 20-member International Energy Agency, which includes all the major industrial nations apart from France, will on Friday review members' first attempts at cutting back oil consumption by the agreed level of 5 per cent. The agency expressed regret yesterday that OPEC had decided on another increase in the price of oil.

The level of temporary surcharges that will be imposed by individual OPEC members will decide the level at which North Sea oil prices will be fixed in the second quarter. North Sea producers and crude traders will wait to see what price levels are set by the big North African producers.

North Sea prices are likely to settle at about 30-50 cents a barrel below the levels set by Algeria, Libya and Nigeria. In effect this could give a term contract price for Forties crude of about \$17.50-\$18.00 a barrel in the second quarter.

This could give an increase of up to 16 per cent on the present North Sea price of about \$15.50 a barrel. In the last quarter of 1978 term contract prices for Forties crude were set at about \$14.00 a barrel.

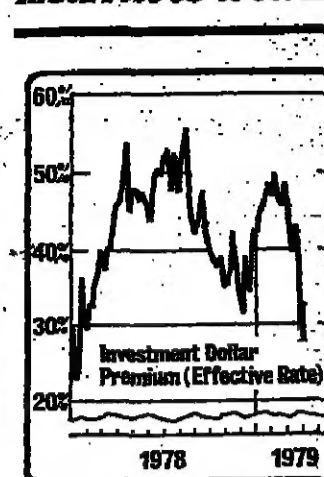
The occasional sale of cargoes of North Sea crude on the spot market, however, are still attracting higher prices. It is understood that one cargo was sold recently for supply in the second quarter at \$22 a barrel.

North Sea supplies will shield the UK from the worse consequences of oil price rises. A 10 per cent rise in the oil price could add about 4 per cent to UK inflation as against 1 per cent in West Germany and the US and 1-1 per cent in Japan.

## THE LEX COLUMN

# Upside-down crisis for sterling

Index rose 8.9 to 539.2



To judge by the performance of the dollar yesterday's OPEC price rises were discounted in the foreign exchange markets. All the same, sterling continued to move ahead, the trade-weighted index reaching 65.6 which is not far below the February 1978 peak of 66.7.

It is enough to make the mushrooming breed of exchange rate forecasters give up. Whether sterling is judged on the basis of theories about trade competitiveness, or on newer and more fashionable notions about relative monetary growth, sterling is clearly too high. The surge of growth in the money supply a year ago seemed to be reflected faithfully in the exchange rate, which slumped by 5 per cent during March 1978.

Yet although DCS has been running at an annual rate of more than £11bn in the past three months, sterling has appreciated by 2.5 per cent so far in 1979.

A year ago poor trade figures undermined confidence, but now there is a bonus promised from higher oil prices which will pose much bigger problems for countries like Germany and Japan. It is likely to take many months for the British economy, import hungry though it may be, to work through this relative advantage. Meanwhile the Government is stuck with the wrong policies: in trying to damp down monetary growth through high interest rates it is encouraging foreign inflows and helping to push sterling higher still.

Current policies would lead, in a free float, to a rise in sterling to a level which would produce a rapid deterioration of the current balance of payments.

Brokers Fielding Newson-Smith, for instance, estimate that in a free float sterling would rise by about 6 per cent in 1979. The lure for the gilt-edged market is that the authorities will probably not be able to accept such a rise in sterling, and will be forced to switch to a policy of lower interest rates. The gamble would be whether this could be combined with adequate monetary control.

### Sime Darby/Guthrie

Sime Darby came very close to winning control of Guthrie, and it might just have succeeded with a last minute buying raid had the market not been so strong. No one was keen to switch out of shares into cash yesterday. Other reasons for its defeat include Guthrie's spirited defence, the public opposition from the respected M & G Group, and the fact that time was wasted in the early stages with an

offer that was patently too low.

Guthrie's shares only fell 5p to 530p on the news, a far cry from 325p where they stood before Sime showed its hand.

But since then Sime has built up a near 30 per cent stake, and is not going to go away. Sime cannot, under the Takeover Code, bid again within the next year and it says there are no plans to force its way on to the Board in the meantime. But Guthrie's management now has a lot of promises to honour, and Sime will be on hand if it fails to deliver. That thought, coupled with a dividend yield of 7.9 per cent on the basis of 1978's dividend forecast, suggests that the floor for the share price should not be all that far away.

### Grattan

A decade ago the pre-tax profits of Grattan Warehouses amounted to £6.4m while the combined profits of its two smaller rivals, Freemans and Empire, amounted to £4.5m. Yesterday, Grattan reported a 10 per cent drop in pre-tax profits to £10.6m. Although they have not reported yet, the combined profits of the other two will be of the order of £25m in 1978-79, which helps put in perspective Grattan's decline in recent years.

The trend culminated last October in a disastrous set of interim figures when Grattan reported a drop in sales volume and profits which contrasted sharply with the buoyant results from its competitors. Grattan's management has been strengthened and the group has embarked on a policy of aggressively rebuilding its market share.

Advertising has been stepped up, the number of agents increased and the credit terms have been made more attractive.

More important, the catalogue has been increased by roughly 10 per cent in size, the number of lines expanded and prices trimmed to make them more competitive.

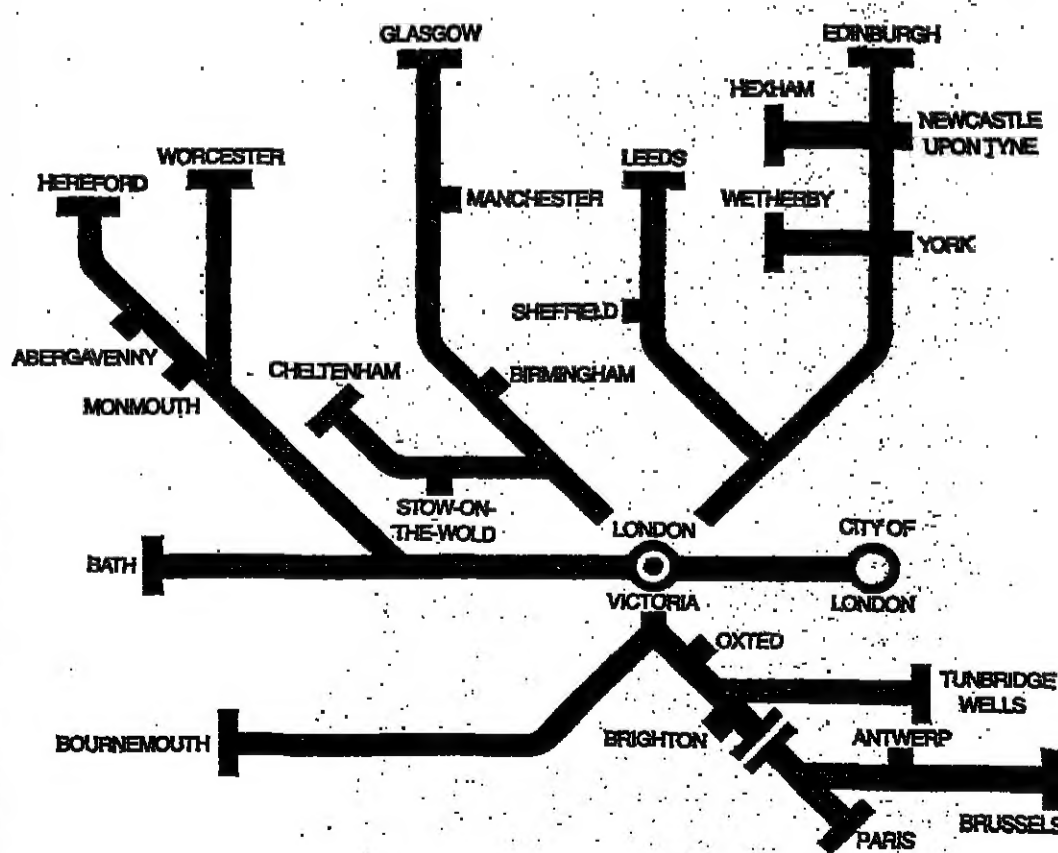
In the short term at least, the new policy seems to be paying off. Sales in the second half rose by 21 per cent against an industry growth of 18 per cent and pre-tax profits edged ahead by 9 per cent after the 27 per cent drop in the first six months. However, old fashions die hard in the mail order industry and it will be some time before the success of Grattan's new policies can be assessed. In the meantime the shares, at 122p, yield 7.6 per cent.

### Hudson's Bay

The future of the Hudson's Bay Company is now wide open following the surprise appearance of George Weston of Canada as a potential saviour. Weston is starting from a much weaker position than the cash-rich Thomson family interests, which have already offered £350m, or £31 a share, for 51 per cent of the Bay. Weston's financial record is very uneven, its net worth amounted to only a bit more than £300m at the last count, and total debt already represents over 60 per cent of total equity.

If Weston were to offer its shares in exchange for 51 per cent of the Bay, its big family shareholding would be diluted out of sight. So the intriguing question is whether Weston will be able to come up with some kind of formula offer—say, preferred shares; and cash for Canadian shareholders; and cash for everyone else. Although its domestic base was transferred to Canada in 1970, the Bay still has some 12,000 shareholders in the UK—controlling maybe 15 per cent of the votes.

Weston hopes to produce terms by the end of this week, and whatever happens, the Thomson interests—which have already been shown the door by the Bay—are unlikely to let things drop now. Why all the excitement about a group that was trading at only £53 a share at the beginning of the month? The answer seems to be that the Bay is about to reap the benefits of very heavy investment in store development over the last few years. In a circular last week, it said that earnings per share this year could rise by a tenth to \$3.05 and more than double that by 1983, and it put "the present value" of the shares at \$37 to \$40. This sort of thing would send the London Takeover Panel into a dead faint—but it seems to be attracting the predators.



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